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DEPARTMENT OF DEFENSE CHIEF FINANCIAL OFFICER FINANCIAL MANAGEMENT 5-YEAR PLAN

This Defense Finance and Accounting Service Chief Financial Officer 5-Year Plan addresses the overall financial management strategy for the Department, provides an analysis of the current status of financial management at the end of FY 1997, and identifies improvement initiatives over the 1998-2002 timeframe.

Introduction

The infrastructure and overhead of the Department of Defense (DoD) is being reduced. The DoD financial management community is an active participant in the downsizing and has some 100 projects underway to improve and streamline financial management, as well as the timeliness and accuracy of accounting data. As a result, the Department is in the midst of the most comprehensive reform of financial management systems and practices in its history. These reform efforts are driven by two pressing needs: first, the need to overcome decades-old problems in financial management systems and procedures; and second, the need to lower administrative costs by redesigning fundamentally the Department's fiscal operations.

Underlying Causes Of DoD Financial Management Problems

Prior to January 1991, the Department of Defense had a totally decentralized mode of operations. Reflecting that reality, the three Military Departments and the major Defense Agencies had, until recent major reforms began, managed their own budget, finance, and accounting systems. As a result, they developed their own processes and business practices, geared to their particular mission, with little incentive to achieve compatibility with other DoD activities. As DoD missions became more complicated and organizations were required to interact more with each other, the incompatibility of systems and lack of standardization took a toll. Rather than redesigning its organization or standardizing its multitude of systems, the Department developed increasingly complex business practices to link its systems.

Such complexity left DoD financial systems prone to error or to demands that could not be met with the platforms, personnel, or time available. No matter how good the people operating those systems, problems were inevitable. Moreover, there was an inherent inefficiency in having scores of incompatible organizations that performed virtually identical functions. For example, there was only one pay schedule for military people and one for DoD civilians, yet the Department maintained dozens of different pay systems. This Chief Financial Officer Financial Management 5-Year Plan highlights the reforms being mounted to solve these and other DoD financial management problems.

Blueprint for Reform

The Under Secretary of Defense (Comptroller) has drawn a “blueprint” to lead the Department in its effort to “construct” financial management reform. This blueprint includes the following key goals:

- Consolidate Finance and Accounting Operations.
- Consolidate Finance and Accounting Systems.
- Eliminate Problem Disbursements and Reduce Intransits.
- Reengineer DoD Business Practices.
- Strengthen Internal Controls.
- Improve Management Incentives.

These reforms aim to streamline and redesign DoD financial processes, systems and organizations in order to make them optimally effective and cut costs. Reforms also seek to ensure that DoD financial management fulfills the needs of its leaders, meets statutory requirements, maximizes efficiency, minimizes fraud, and provides superlative customer service.

Accomplishments

A. Consolidate Finance and Accounting Operations

- **Capitalizing Finance and Accounting Centers**

In January 1991, the Department activated the Defense Finance and Accounting Service (DFAS) by capitalizing the finance and accounting centers of the Army, Navy, Air Force, Marine Corps, and Defense Logistics Agency, and other related organizations, into a single DoD agency. DFAS was created to implement standard accounting policies and procedures throughout the Department. As part of its charge, the DFAS developed a comprehensive strategic plan to reconfigure the Department’s financial processes and systems. The goal is to develop a single integrated financial management process that produces both reliable financial information for all levels of management and auditable financial statements.

- **Consolidate Finance and Accounting Field Operations**

DFAS has made great progress in its consolidation of DoD field finance and accounting activities since the announcement for consolidation was made in May 1994. All but 25 of the original 332 DoD activities have been closed and their work consolidated into 19 DFAS Operating Locations (reduced from the original 21 sites) and five DFAS Centers. The final round of consolidations will be completed by the end of fiscal year 1998. This initiative and other savings helped DFAS achieve a reduction in its end strength of 8,000 spaces since fiscal year 1992. With consolidation, savings are expected to total \$120 million per year.

B. Consolidate Finance and Accounting Systems

- **Migratory Finance System Strategy**

The Department has made substantial progress toward the consolidation and standardization of financial systems. The Department's financial systems are being consolidated and modified as necessary to meet Department-wide requirements. The DFAS already has consolidated retiree and annuitant pay operations on one standard system—the Defense Retiree and Annuitant Pay System, with a resulting cost reduction of \$10 million per year. The DFAS also has implemented a standard system and consolidated operating locations for its out-of-service debt management functions. System costs were reduced by \$1M per year while the consolidated operation resulted in a \$8.5M annual savings. Travel computation software will be standardized across the DFAS, Defense Agencies, and all Military Services when version 5.0 of the Integrated Automated Travel System is distributed at the end of September 1997. The DFAS has consolidated the printing of all savings bonds for the Department from over 190 bond issuing sites, using 20 different systems, to two DFAS Centers, using one system. The DFAS also has a standard automated process of safekeeping savings bonds for active duty military members. The Department has nearly completed implementation of a standard system for processing civilian pay—the Defense Civilian Pay System (DCPS). This initiative has allowed the Department to close 348 payroll offices and eliminate 25 of the original 27 civilian pay systems. Over 703,000 civilians are serviced under DCPS. By mid 1998, the Department will operate only one civilian pay system. This will reduce the monthly cost of maintaining civilian pay accounts by over 35 percent between FY 1995 and FY 1997. The Department also has made substantial progress in moving to standard military pay systems, eliminating 17 of its former 22 military pay systems. The active component of Navy will move to the standard Defense Joint Military Pay System in 1998 and the Reserve component will move in 1999. By the end of FY 2001, the Department will operate only two military pay systems.

- **Migratory Accounting System Strategy**

The Department also has undertaken a major effort towards reducing and improving the number of its accounting systems. When DFAS was established, installation level accounting generally was performed at decentralized field activity offices at the various military installations, using a wide variety of financial management information systems developed over the years by the various DoD Components. These systems were tailored to meet the needs of the many diverse activities, and frequently were integrated with the business operations that the applicable activities performed. The complexity of accounting operations and the wide variety of automated information systems currently in use has shaped the Department's plan for migrating to standard DoD accounting systems.

By the end of FY 1997 the Department has reduced the number of accounting systems to 122 from a high of 197 in FY 1991. This reduction has come as a result of eliminating and

consolidating 75 redundant and duplicative systems. The Department will ultimately reduce the number of accounting systems to no more than 23 by the beginning of FY 2003.

C. Eliminate Problem Disbursements and Reduce Intransits

- **Reduction of Problem Disbursements and Intransits by Over 70 Percent**

Under the direction of the Under Secretary of Defense (Comptroller), the DFAS, in coordination with the affected DoD Components, established a project to reduce problem disbursements and intransits. This effort focused on resolving existing unmatched transactions, negative unliquidated obligations and intransit transactions, and on making improvements in existing procedures and systems to prevent the occurrence of these problems. The project had a goal of reducing problem disbursements and intransits by approximately 50 percent by the summer of 1994. This goal was achieved through the joint efforts of all parties involved. On June 30, 1995, the Under Secretary of Defense (Comptroller) issued a comprehensive set of procedures for researching and correcting problem disbursements. Between June 1996 and August 1997, the total absolute value of Unmatched Disbursements and Negative Unliquidated Obligations was reduced by 19 percent from \$10.1 to \$8.2 billion. Additionally, aged intransits were reduced from a net value of \$5.5 to \$4.2 billion, a 24 percent drop since reporting aged intransit values was changed from modified absolute to net in May 1997.

- **Intransit Transactions**

DoD has an extensive Business Process Reengineering effort underway to improve its disbursement process so as to minimize in-transit disbursements. DFAS has developed short and long-term solutions to eliminate intransits.

In the short-term, DFAS is converting business processes that produce “for others” transactions to processes that produce “for self” transactions. One example is the implementation of Transactions for Others (TFO) Cells for vendor payments. This process allows payments to be computed at one office but disbursed by the accounting office, thus simultaneously updating the accounting records. In addition, to improve the timeliness of recording intransits DFAS is implementing automated processes to electronically transmit collections, disbursements, and reimbursables between DFAS accounting offices.

In the long-term, DFAS will prevalidate every disbursement to ensure the payment can be matched to an obligation before the payment is made. The Department is gradually lowering the threshold to zero for all payments. Further, DFAS is testing a system to route the relevant accounting data from a disbursing process to the relevant accounting office. This process will improve the accuracy of the data through edit criteria and the timeliness of updating the accounting records.

- **Commitment and Obligation Reviews**

The Under Secretary of Defense (Comptroller), in two separate actions, has moved to improve the timeliness and accuracy of the obligation data in the Department's accounting systems. In the first of these two actions, the Under Secretary of Defense (Comptroller) established specific timeframes for recording obligations in the accounting systems. This action better ensures that obligations are recorded promptly and that the reported obligation data accurately reflects the current status of obligations. In the second action, guidance was issued requiring that outstanding commitments and obligations be reviewed at least three times a year for continued validity. These reviews are intended to (1) identify open transactions that either have been canceled or completed, (2) identify adjustments that have not been recorded and (3) identify possible delays in the recording of expenditure transactions. Both of these actions will improve the accuracy and timeliness of the Department's financial reports.

- **Prevalidation**

Section 8137, P.L. 103-335 as amended required DoD to match all disbursements greater than \$5 million, to specific obligations (prevalidation) effective October 1, 1995. However, by October 1, 1995 DoD elected to lower the threshold to \$1 million at all DFAS Centers, with the exception of the Columbus Center. On July 15, 1996, DoD lowered the prevalidation threshold, this time for payments made by the Mechanization Of Contract Administration Services (MOCAS) system, operated by the DFAS-Columbus Center. The MOCAS threshold was lowered to \$4 million on that date. Other payment systems at the Columbus Center were subsequently lowered to \$1 million. Currently for contracts awarded after September 30, 1996, MOCAS is prevalidation all payments over \$2,500. It is expected that systems enhancements will provide necessary automated support to lower the threshold to \$0 on new contracts awarded after September 30, 1996, by the end of the second quarter 1998. For those contracts awarded prior to October 1, 1996, MOCAS is prevalidating all payments above \$3 million. by June 30, 1998, the threshold will be lowered to \$2 million on these contracts. As systems enhancements allow it is our intent to prevalidate all payments to contractors and vendors.

The benefits of prevalidation will be more apparent as disbursements throughout the Department are accurately recorded in a timely manner. This will happen as we enhance our systems and more invoices are prevalidated. As our data integrity improves, problem disbursements will decline. The Department will then realize a cost avoidance by being able to reduce the research and rework associated with problem disbursements. Further, prevalidating each disbursement should cause each contract to be maintained in a reconciled status. This means that fiscal contract close out will become a rather routine process requiring minimal resources. All of these benefits will provide the department higher quality financial service and management information.

D. Reengineer DoD Business Practices

- **Reduced, Clarified and Reissued Policies**

In past years, numerous nonstandard financial management policies have been promulgated within the Department. This environment often resulted in the application of different standards for similar circumstances, thereby producing inconsistent or incompatible information or reports. In response to this situation, the Department developed a single “DoD Financial Management Regulation” to be used on a DoD-wide basis. The Department has issued all 15 volumes as of March 1997. Fully implemented, the 15-volume Regulation replaces a myriad of existing policy guidance, clarify existing guidance where appropriate, and include additional guidance as needed.

- **Working Capital Funds**

Another step taken to standardize the Department’s accounting practices was the implementation of the WCF. The WCF primarily is an extension of a revolving fund concept employed throughout the Department over the past 35 years. The new aspects focus on the use of standard business practices for covered areas across the Department.

The objectives of the WCF are to (1) provide a business management structure that encourages managers and employees of the Department’s support organizations to recognize and recover the costs of producing a product or providing a service; (2) establish a customer/provider relationship for products and services; and (3) provide products or services to the “warfighter” at the lowest cost. This business philosophy is rooted in two fundamental principles: cost visibility and basic economic incentives. Providers are expected to have and use the visibility over costs incurred to deliver a product or perform a service at the least cost; and operating forces are expected to choose and pay for the level of service and support required.

- **DFAS Commercial Activities Program**

In FY 1995, DFAS began a full and active OMB Circular A-76, Commercial Activities Program by initiating two studies in the areas of Debt and Claims Management and Facilities, Logistics, and Administration.

During FY 1996, the Debt and Claims Management study was completed, resulting in the implementation of the Government’s Most Efficient Organization (MEO). This MEO, which was fully implemented in May of 1997, consolidated the Debt and Claims Management functions at the Denver Center, and resulted in an annual savings of over \$8.5 Million.

The Facilities, Logistics, and Administration study, completed in May of 1997, also resulted in the implementation of the Government’s MEO. The MEO, which will be fully implemented by the beginning of FY 1998, will garner an annual savings of over \$4 Million.

Currently DFAS has active A-76 studies in the areas of Defense Commissary Accounting and Vendor Pay, DoD Transportation Accounting, and DoD Depot Maintenance Accounting. These

studies, which are scheduled for completion in FYs 1998 and FY 1999, are expected to yield annual savings of over \$7 Million.

DFAS will, depending on current and expected legislation, continue to conduct A-76 studies in an effort to provide better service and reduce costs to its customers.

- **Year 2000 Strategies**

The Year 2000 will have a varying impact on information systems in the Department. Due to space limitations on early computers, the industry-accepted standard for representing a date has been six digits. The year portion of the date has always been two digits. Beginning with the year 2000, this standard produces potential miscalculations. The Year 2000 changes can effect all mainframe, midrange and personal computers and also can be found in a wide variety of software applications. For example, any computations that calculate age, sort by date, compare dates, or perform other specialized tasks may be affected. The Department must modify existing systems to process dates properly after 1999. The DFAS established a Year 2000 project in 1991, and has the responsibility to monitor and track all non-Year 2000 compliant financial management systems. This process is baselined with the identification of all financial management systems for which the DFAS has responsibility, separating compliant from non-compliant systems, and identifying a point-of-contact for each system needing correction. Tasks and milestones have been assigned to ensure the correction of each non-compliant system by December 31, 1998.

- **Improved Data Standardization**

Data standardization is critical as the Department optimizes its use of migration systems and moves towards sharing common processes and data under an open systems architecture. The best way to mandate that everyone use common data elements, to include a clear, common understanding of the meaning of those elements. In the past, the Department has had over 250 finance and accounting systems that used some 100,000 discrete data elements. As of September 1996, the Department has identified that its finance and accounting systems need only about 500 standard finance and accounting data elements.

- **Budget and Accounting Classification Architecture**

The Budget and Accounting Classification Architecture concept (which incorporates the Budget and Accounting Classification Code (BACC)) continues to receive increased management attention and emphasis under the DFAS Project Management Office (PMO).

The DoD Financial Management Steering Committee approved the BACC structural data elements in September 1994. The BACC provides a single coding structure for uniformly capturing and recognizing data and allowing systems to handle data consistently. The BACC is being mapped to Defense Data Dictionary System (DDDS) and the DoD Standard Data Elements contained in the Defense Finance and Accounting Data Model (DFADM). The structure was modified slightly based on this effort. This BACC structure is a prerequisite for any standard

DoD finance and accounting system and (1) is change responsive; (2) is focused on consistently meeting fiduciary reporting requirements; (3) is able to identify organizations, documents, and transactions; and (4) uniformly supports financial management information requirements for all services. The BACC simplifies the task of standardizing systems and interfaces of information between systems at all DoD organizational levels by allowing for the use of a single data structure and the capability to edit for acceptable values.

The BACC/GET Project Office, started in the last year, has joined the objectives of BACC and the Global Edit Tables (GET) into a single effort and is coordinating the integration of BACC/GET into the DFAS Corporate Database Project.

BACC documentation is under development and is being coordinated for formal publication in the Financial Management Regulation. Completed drafts are available to the DoD network from DFAS-Lane (<http://www.dfas.mil>), the agency's Web Page, through FTP or Data Analysis Query System (DAQS).

Implementation strategies incorporate the modification of source documents to be BACC compliant in conjunction with system implementation of BACC. The BACC will be implemented in migration systems if a business case justifies the investment. Migration systems' accounting classification data elements and data will be mapped to BACC elements and values to provide the capability for interaction with the DFAS Corporate Database (DCD) and other migration systems. Crosswalks and interfaces for the legacy data environment are being led by the DCD.

The Global Edit Table project will have its initial master accounting classification edit table (at the level of Treasury cash accountability) available for the beginning of FY 98.

- **Electronic Document Management**

The Electronic Document Management (EDM) Program is designed to provide users with on-line access to financial and accounting applications, resolve management of large volumes of hard copy documents at centralized locations, ensure the consistent implementation of business practices throughout DFAS, improve customer service, and reduce operating costs.

EDM involves the collective application of three technologies, i.e., imaging, electronic foldering, and workflow. Through these combined technologies users can view, retrieve, move, and store documents. DFAS Columbus Center is implementing EDM for Contract Pay and Omaha Operating Location is in the production mode using EDM for Vendor Pay. EDM will be deployed to other DFAS Operating Locations subsequent to a favorable Milestone III decision.

- **Electronic Document Access**

- A major element of the EDM Program is electronic document access (EDA), which uses Internet and world-wide-web technology to share documents across the Department. EDA offers read-only access to official contract documents in a common file format that eliminates the need for DoD users to maintain hard copy files. With the early success of

contracts and Government Bills of Lading on the Web, EDA is being expanded to include payment vouchers and contracts deficiency reports. In addition, we are continually evaluating new document types for inclusion in the EDA effort.

- **Electronic Commerce/Electronic Data Interchange (EC/EDI)**

The DFAS has established an Electronic Commerce Program Office to identify and implement EC/EDI and Electronic Funds Transfer (EFT) across the financial management community. Some of the highest EC/EDI priorities include electronic processes to validate funds and record commitments in the accounting systems; create electronic contracts and contract modifications in the contract writing systems and record them in the payment and accounting systems; process electronic receiving reports to the payment and accounting systems; accept and process electronic invoices from vendors in the payment systems and automate the pre-validation of payments against obligations prior to disbursement. In addition, the project will increase the use of EFT, register small vendors to accept EC/EDI, and establish DoD standard implementation conventions for the financial community. Most of the Department's major vendor payment systems today already are transmitting EFT payments.

- **Teleservices**

The Teleservices Program is a business process improvement effort to improve customer service and reduce the cost of financial operations. Program goals are to integrate productivity tools with finance migratory systems in order to support financial operations, reduce costs, and improve customer support. The primary component of the Teleservices Program is empowering the customer to obtain information concerning their account interactively. This is provided through interactive voice response and world wide web technology. The Teleservices Program is a DFAS-wide support strategy at the DFAS Centers and Operating Locations. These initiatives support retired and annuitant pay, active duty and reserve pay, travel pay, transportation pay, contract and vendor payments, and other consolidated activities that receive a high volume of customer inquiries.

E. Strengthen Internal Controls

- **Fraud Detection and Prevention**

The Department established a new program in June 1994 to enforce better compliance with existing security procedures at financial data processing installations and reduce the vulnerability of its computer networks to intrusion. This program, titled "Operation Mongoose," is a pro-active fraud detection and prevention unit formed to identify possible individual intrusion into financial systems for illegal personal gain. Operation Mongoose is managed by a program management team within DFAS, and involves two other DoD partners -- the Defense Manpower Data Center and the DoD Inspector General. Computer matching techniques are used to compare various dissimilar computer systems operated by financial organizations within the Department. The intent is to identify anomalies that occur when data that should be identical

fails to match from one system to another. Functional areas investigated included retiree/annuitant pay, military pay, civilian pay, vendor pay and transportation pay.

- **Funds Distribution**

Funds within the Department traditionally have been distributed and controlled in various ways using either manual or automated systems, or a hybrid application. To improve controls over the funds distribution process, the Department has begun to use the Program Budget Accounting System (PBAS) to integrate better the distribution of funds and govern the reprogramming of funds. The PBAS is being used in the Department of the Army and for various Defense Agencies; similar improvements are being made in the Navy and the Air Force.

- **Improved Process for Compliance with the Federal Managers' Financial Integrity Act**

The Secretary of Defense places substantial emphasis on sound internal controls and the correction of control weaknesses. Traditionally, the responsibility for compliance with the Federal Managers' Financial Integrity Act rested primarily with the individual DoD Components. Many senior managers in the Office of the Secretary of Defense (OSD) played a very limited role in this process. However, under new rules established in February 1994, senior managers in OSD now play a more active role in identifying, reporting and correcting weak internal controls within their areas of responsibility.

F. Improve Management Incentives

- **Senior Financial Management Oversight Council**

The Department continues to use a management oversight structure to ensure the involvement of the Department's senior leaders in the financial reform process. The capstone of this structure is the Senior Financial Management Oversight Council created in August 1993. The Council meets on a regular basis to address financial management deficiencies, approve plans for proactive solutions to financial management weaknesses and deficiencies, assign responsibility for correcting financial management problems, and monitor progress in reforming the Department's financial management. The Council is chaired by the Deputy Secretary of Defense and includes the Secretaries of the Military Departments, the Vice Chairman of the Joint Chiefs of Staff, the Under Secretary of Defense (Acquisition and Technology), the Under Secretary of Defense (Comptroller)/Chief Financial Officer (Executive Secretary), the DoD General Counsel, and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence). The DoD Inspector General, in order to avoid a conflict of interest, is not a member of the Council but serves as an observer and, at the request of the Chair, provides support to the Council. The DFAS Director also attends the Council meetings. In short, the Council provides the necessary framework and clout to focus attention on problem areas and exert pressure to make things happen.

- **Financial Management Steering Committee**

The Department's Financial Management Steering Committee oversees the development of functional requirements for general fund financial and accounting systems, facilitates the implementation of policy recommendations, and addresses financial management systems and practices. The Committee is chaired by the Under Secretary of Defense (Comptroller), and includes the Director, DFAS, the Assistant Secretaries (Financial Management and Comptroller) of the three Military Departments, the Comptroller of the Defense Logistics Agency, and a senior official from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence).

- **Acquisition and Financial Management Working Group**

In November 1993, the Deputy Secretary of Defense directed the establishment of an Acquisition and Financial Management Panel Working Group to identify and develop a course of action to correct the systemic problems that cause problem disbursements. The purpose of the Panel is to design, and oversee, a long-term solution to the causes of problem disbursements and the lack of interconnectivity between finance and acquisition systems. The panel is co-chaired by the Under Secretary of Defense (Comptroller) and the Principal Deputy Under Secretary of Defense (Acquisition and Technology). The panel includes the Under Secretaries of the Military Departments, the Defense Finance and Accounting Service, and the Director of the Defense Contract Management Command.

- **Working Capital Funds Policy Board**

The WCF Policy Board, established in November 1993, monitors the implementation and operation of the WCF, including policies, rates, cash flow analysis, and the criteria for inclusion of business areas therein. The WCF Policy Board is chaired by the Under Secretary of Defense (Comptroller) and includes the Assistant Secretaries (Financial Management and Comptroller) of the three Military Departments and representatives from the Joint Chiefs of Staff, the Under Secretary of Defense (Personnel and Readiness), the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) and the Director of the Defense Finance and Accounting Service. Special observers, include the DoD Inspector General. Overarching policies, procedures and reporting guidance for WCF activities formally were incorporated into the DoD Financial Management Regulation and published in December 1994. Three sub-committees--Oversight of Policy Actions, Cost Reductions and Performance Review--have been established to develop and/or review recommendations to the Policy Board.

Section 1

Chief Financial Officer's Vision Statement

The Department has made the reform of financial management a major initiative. Reform is essential to correct long-standing financial management problems that threaten the effective delivery of U.S. combat power. First, inefficient financial management systems and practices waste money that is needed now, more than ever, to sustain sufficient combat power. Second, whenever mismanagement surfaces, the understandable congressional and public response often is to attack and reduce the overall DoD budget without a clear vision of the effect that such macro-level reductions has on the operational tempo.

The financial management reform program designed by the Department to correct its financial management deficiencies is built around three dominant initiatives:

- Business process reengineering;
- System standardization; and
- Consolidation of operations.

Simultaneous major initiatives are underway in all three areas and each initiative embraces a number of supporting and interlocking actions. Because they are interconnected, improved financial management is dependent upon the completion of every one of these initiatives.

Subsection 1.1. Business Process Reengineering

The success of the Department's financial management reform depends upon a reengineering of its business practices. Fundamental change is essential; merely automating current practices only would speed the handling of data that is incapable of integration into useful results. Although a difficult, time-consuming process, the Department must conduct baseline studies of current procedures, eliminate needless or duplicative processes, and standardize and consolidate the many systems and processes used in DoD financial management. This process now is underway--with the overriding objective of assuring improved customer service.

Initiatives to simplify, standardize, and improve policy and procedures include both traditional guidance and the standardization of financial management data elements, formats and specifications to facilitate greater use of modern technologies. The use of technologies such as electronic commerce, electronic document management and teleservices are expected to drive significant business process improvements.

Business process reengineering efforts include simplifying, standardizing, and improving financial management regulations and procedures. The "DoD Financial Management Regulation (FMR)," is replacing some 70,000 pages of separate DoD Component regulations. All 15 volumes are in use. We are currently in Phase II which will incorporate applicable Service publications into

the FMR. All 15 volumes of the FMR are available on the Internet. We no longer issue hard copies of the FMR. However, if needed, paper and CD-ROM copies of the volumes can be ordered from the Defense Automated Printing Service through the FMR site on the Internet.

Of course, business process reengineering extends beyond financial management into other functional areas such as personnel, logistics and acquisition. The financial management community cannot operate in isolation from other functions. In fact, it has been estimated that the financial community is reliant on the data captured in other communities for some 80 percent of the data used in its processes. The intent is to capture information once, at the source, and transmit it to various using functions (both financial and non-financial) via electronic media. A greater degree of automated information exchange also must occur between the Department and its trading partners. The huge volume of paper associated with financial management today must be eliminated—replaced by electronic transfers of vendor invoices and receiving reports, payments via electronic funds transfer, on-line financial reports, and the like. All aspects of improving DoD financial management are being explored through a variety of business process reengineering initiatives.

Subsection 1.2. System Standardization

The myriad of existing, duplicative systems must be substantially reduced. To accomplish this, the Department's current strategy aims to eliminate as many systems as possible by consolidating finance and accounting functions to a select set of migration systems. This elimination of redundant systems will free resources needed to support reengineered financial information requirements. The Department intends to integrate its migration systems in consonance with OMB Circular A-127 and ensure full compliance with the Federal Managers' Financial Integrity Act. This incremental approach to systems development reduces both risk and cost.

DoD financial management is being transformed into a performance-based process that encourages managers and employees of all organizations to provide quality products and services at the lowest cost. To achieve this end, supporting finance and accounting information must be accurate, comprehensive and timely as well as relevant to decision making by the Department's program and operating managers. Standard systems to provide this financial management information will support all functional users in their day-to-day operations and decision making.

Subsection 1.3. Consolidation of Operations

The Department reduced the number of sites performing finance and accounting functions from 332 to 51 as of July 1997. The end-state goal is 24 by the end of Fiscal Year 1998. This highly streamlined structure facilitates streamlined operations, improves accountability, reduces data reconciliation requirements, complements the use of integrated systems and focuses customer service. Operating at fewer sites also promotes consistency in operations, singular interpretation of policies and procedures, and improved internal controls.

Section 2

Status Report

Subsection 2.1. Organizational Accountability Considerations

A. Control and Review Mechanisms

The Department's Chief Financial Officer (CFO) is responsible for developing financial management policies, effecting resource allocations, and overseeing the implementation of financial management systems within the Department. This includes the responsibility for monitoring Component efforts to comply with applicable accounting and financial management requirements. As reflected in the previous section, the Department has created several forums to ensure that a project management structure and appropriate accountability are in place to develop and implement effective financial systems. These forums, which include representation by and participation of top management and functional users in all phases of developmental efforts, include the Senior Financial Management Oversight Council, the Financial Management Steering Committee and the Working Capital Fund (WCF) Policy Board.

B. DoD Finance and Accounting Operating Structure

The capability to standardize and integrate financial management practices and systems within the Department was established with the creation of the DFAS in January 1991. The DFAS has enabled the Department to better focus on (1) providing more timely, comprehensive, and accurate financial data; (2) consolidating and standardizing the Department's diverse financial and accounting operations, systems and policies; and (3) improving customer service, while reducing costs.

The Department has made substantial progress in consolidating finance and accounting organizations. Building on successful activation of the DFAS, a decision was made in December 1991 that the DFAS would assume full management responsibility for most of the non-tactical finance and accounting functions of the DoD Components. Through its Centers and a network of decentralized customer support facilities, the DFAS now provides most finance and accounting services throughout the Department.

1. Systems Standardization

On April 17, 1996, the DFAS established a Defense Accounting System Project Management Office (DAS PMO). The scope of the DAS PMO includes all migratory, interim migratory, and legacy accounting systems that DFAS substantially owns and operates. The DAS PMO mission is to manage the reduction of existing accounting systems. The DFAS goal throughout this process is to provide accurate, timely and effective customer support at a lower cost. The overall objective is to field electronically linked accounting systems that comply with generally accepted government accounting principles and standards, comply with the Chief Financial Officer's Act of 1990, and produce complete and accurate installation, command, DoD Component and departmental level accounting reports and financial statements. The mission includes the elimination of unneeded or obsolete legacy systems and the modification of systems, where necessary, to meet accounting system requirements. Specific objectives of the DAS PMO are to:

- Design the optimum system architecture and reduce costs and manpower necessary to operate and maintain accounting systems.
- Interface or integrate accounting systems with other accounting, pay, and reporting systems.
- Replace current legacy systems throughout the Department with standard consolidated systems using technologically advanced data processing techniques and telecommunications capabilities.
- Standardize accounting data and processes, where appropriate.

2. Consolidation

The Department reduced the number of sites performing finance and accounting functions from 332 to 51 as of July 1997. The end-state goal is 24 by the end of Fiscal Year 1998. This initiative is the key to DFAS reducing its end strength by 8,000 spaces since fiscal year 1992. With consolidation complete in Fiscal Year 1998, savings are expected to total \$120 million per year.

3. Functions that Remain at Installations

Certain functions that support the finance and accounting mission are best performed at the installation level. For this reason, each DoD Component is expected to maintain a structure that interfaces with the DFAS Operating Locations. The following are the types of functions that will be retained at the installation level to support both installation commanders and DFAS Operating Locations:

- Funds distribution
- Approval of travel obligations and travel order data
- Review of travel claims prior to forwarding them to the operating locations
- Provision of electronic data and forwarding of documents to the Operating Locations
- Assistance to the Operating Locations with follow-up on problem transactions
- Preparation and processing of collection vouchers for checks and cash received locally
- Reconciliation of funding document differences
- Monitoring of legal limitations
- Printing of hard copy reports as required
- Interpretation of accounting reports for the installation
- Inputting of civilian pay data
- Inputting of accounting transactions (e.g., commitments, earnings, funds, inventory transfers, and real property transfers)
- Processing of receiving reports
- Provision of military pay liaison for inquiries and data entry.

Subsection 2.2. Systems Considerations

Currently, there are numerous accounting systems and practices in operation within the Department. The Department's goal, however, is not merely to consolidate these old systems. Rather, its aim is to create new, standardized, and more effective business practices that enable more efficient systems and produce more accurate and timely information. The Department is determined to streamline and strengthen its financial management, and facilitate the use of new technologies that reduce costs and improve service to its customers.

The Department expects to generate savings through the use of advanced technology and DoD-wide process improvements. Redundant finance and accounting systems, as well as the staffs that maintain them, are planned to be eliminated. Similarly, financial systems that do not comply with accepted accounting principles and standards are expected to be replaced. Using migratory systems should facilitate more rapid implementation of a fully integrated standard suite of departmental finance and accounting systems. All of this should improve both the quality and consistency of the Department's financial information.

A. Centralization

Military pay, retiree and annuitant pay, civilian pay, contract pay, transportation pay, debt management, security assistance finance and accounting, departmental accounting, and nonappropriated fund accounting are being centralized at a limited number of sites.

Installation and intermediate level accounting, vendor pay, and related disbursing operations are planned to be integrated at the DFAS Centers and at the Operating Locations. These functions are planned to be organized geographically for the Army, and Air Force, with all Marine Corps integrated functions at the DFAS-Kansas City Center. Navy integrated functions are planned to be consolidated by major claimant or business activity, with an entire major claimant or business activity consolidated at a single location.

DoD has begun the centralization of travel processing with the development of the automated Defense Travel System under the direction of the OUSD(C) Project Management Office. This will reengineer the entire business process of travel."

At most military installations and activities, it is envisioned that liaison offices will be established by the respective DoD Components to function as principal contacts with the appropriate DFAS Centers and Operating Locations. It is expected that liaison offices will input data not entered by the originating activity and have oversight for transactions from local entitlement and accounting transaction-creating systems to the Department's accounting systems. This will facilitate service to customers at installations by distributing reports and assuring direct access to information from finance and accounting systems. For their part, the DFAS Centers and Operating Locations plan to have dedicated organizations to ensure continued good customer service.

Business practices will be simplified to eliminate unnecessary steps and streamline the processing of transactions. The Department intends to leverage the use of technology for the field input of data to minimize the requirement for human input and the physical distribution of documents. The electronic exchange of source data between systems and functional communities will be maximized. For example, enhancements are underway to use electronic data interchange to obtain obligation data for small purchases and major contracts from the procurement offices for

update into accounting records, and invoice data from participating vendors. The standard Defense Civilian Payroll System provides the capability for one-time capture of time and attendance and labor data for obligation and cost purposes and an automated payroll reconciliation process. Where cross-functional integration is not available, local interfaces and customer access to operating systems are planned to be used. Initiatives are underway to standardize data so it can be shared among functions and passed freely among all of the DoD Components. This standardization should aid integration across departmental functions. In addition, innovative projects are under review to help departmental managers streamline their processes. Consistent formats and business practices are expected to permit the maximum use of shared data.

Imaging technology and standard document structures are envisioned to collect obligation, receipt, and certification data from hard copy source documents, and distribute data electronically for multiple use. Wherever possible, electronic files will be generated from data captured in standard formats for the update of accounting records, and data disks will be used for supporting documentation in lieu of paper files.

To further the effective exchange of data between systems and communities, it is planned to use standard data elements in all DoD functional areas for funds control, fund status, expenditure tracking, ordering, and the like. Source data will be used, wherever possible, and most documentation maintained at the source. Where documentation must be exchanged or sent from one party to another, standard formats and document imaging are planned to be used. Ultimately, the need for duplicate input data, manually or electronically, should be reduced.

Through the establishment of a central clearing house for departmental cash accounting, collection and expenditure actions by all of the Department's disbursing officers are expected to be registered daily and made available for processing into financial records. The account code structure used for reporting these transactions should allow for daily distribution to the appropriate accounting offices, permitting a timely exchange of data, reducing the need for hard-copy supporting documents, and minimizing the number and age of undistributed transactions.

B. Installation-Level Operations

It is planned that each accounting office will be responsible for updating data for billings, accounting adjustments, and reporting. However, the accounting office and the customer will share responsibility for accounting adjustments. The customer also will enter the units and jobs completed, the percentage of completion of an effort for revenue recognition, and modifications to the funding and work in process. Earnings generated in the period are planned to be billed using a no-check/direct-funding transfer wherever possible. In addition, the capability is planned to be available for the customer to make cost transfers with automatic cost distribution processes existing to support further the cost adjustment process.

A standard "trial balance" type of data feed, employing the U.S. Government Standard General Ledger will be used to meet internal and external reporting needs both for DoD Components and the entire Department. This should improve the availability of data for financial reporting and upper level management information needs.

Data is planned to be collected in accounting systems based on standard account postings, and data extractions will be based on standard departmental business area practices. All standard, custom, and special reports are expected to be extracted, as required, for management and

external reporting needs with standard certified periodic data available in a central repository. It is anticipated that hard copy reports will be generated only by the users of those reports and printed at the local site.

A standard input and output format is planned to be employed to ensure a satisfactory relationship between the DFAS and its customers. Incoming data are expected to be input to the customer via screen or through an automated interface. Where local unique circumstances are present and interfaces are required outside those developed for use throughout the Department, the customer will be responsible for availability and compatibility of information.

A standard download and data query capability is planned to meet the management needs of the fund holders or DoD business activities. This is expected to better ensure that accounting data received from any source is consistent and compatible with local management information systems. Data is planned to be available in download files, which customers can extract in certain standard report formats for interface with management information systems, or for other ad hoc reporting. Hard copy reports will be generated only by those who need them and only where they are needed.

C. System Functional Characteristics

1. Military Pay

The Department's military pay operations support about three million uniformed men and women in the following categories, each with its own statutes, rules, regulations, and unique support structures: Active Duty, Reserve and National Guard, Academy Cadets and Midshipmen, Reserve Officer training Corps (ROTC), Junior Reserve Officer Training Corps (JROTC), and Armed Forces Health Professionals Scholarship Program (AFHPSP). About 1.5 million active duty personnel are paid twice a month (97 percent via electronic funds transfer), while most of the other categories are paid on an "as required" basis.

For many years, centralized military pay operations have been aligned by Service. Non-tactical as well as tactical field level military operations, primarily the preparation and input of transaction data, have remained under the control of the Military Services, except for those of the Army, whose non-tactical installation level functions were capitalized by DFAS. In the case of the Navy and Marine Corps, field-level military pay operations are highly integrated with field-level military personnel operations.

DFAS has a strategic initiative to standardize and consolidate the automated systems that support military pay under two systems; the Defense Joint Military Pay System (DJMS) and Marine Corps Total Force System (MCTFS). All Army, Navy, and Air Force military pay functions will be under the DJMS. Because the Marine Corps has an integrated military personnel and pay function, its Active Duty and Reserve military pay are supported by the MCTFS. Both DJMS and MCTFS will become a part of the Office of the Undersecretary of Defense for Personnel and Readiness (OUSDP&R) initiative to fully integrate personnel and pay in the Department of Defense. Significant savings are expected from standardizing military personnel and pay policies, procedures, and systems.

All Army and Air Force active duty, Academy Cadets, and Navy midshipmen are paid by DJMS-Active Component (AC). All Army and Air Force, Reserve & National Guard and Army, Navy

Reserve Officer Training Corps (ROTC), Junior Reserve Officer Training Corps (JROTC), Armed Forces Health Professional Scholarship Program (AFHPSP) personnel are paid by DJMS-Reserve Component (RC). The remaining Navy Active Duty and Reserve personnel are paid via two Navy unique legacy pay systems. The Navy's Active Duty personnel will be added to DJMS in FY 1998 and the Naval Reserve will be added in FY 1999. After Navy personnel are added to DJMS, the two Navy unique systems will be deleted from the pay systems inventory. This will reduce the DFAS inventory of military pay systems from 22 to 3 (MCTFS, DJMS-AC, and DJMS-RC).

Once all Army, Navy and Air Force personnel are being paid by DJMS, a merge of the DJMS-AC and DJMS-RC will take place. This merge is scheduled to be completed in FY 2001. It will further reduce operating and maintenance costs, enhance the payment of Reserve members when called to active duty, and provide other military pay benefits such as allotment of pay capability to this group of Service members.

Timely and accurate financial management and strength accountability reporting, as well as troop pay, is dependent on data generated by over 300 interdependent systems in the personnel community. The interfaces among military personnel systems and military pay systems are generally adequate, with two critical exceptions: neither the Army personnel/DFAS pay interface nor the Navy active /reserve personnel interface are automated. Data handling in both cases is either mechanical or manual, not only incurring excessive operating costs, but also risking system failure when "stressed," such as in a general mobilization. To correct this problem, the Army has funded and is currently developing mechanical interfaces for the data that supports all of the most important pay events, e.g., accessions, promotions, reenlistments, and separations. The Navy plans to merge its active and reserve personnel systems versus building an interface between the two. This will not only solve the mobilization problem but it will also eliminate personnel/pay interface problems associated with the personnel systems.

When DJMS is completed in FY 2001, it will support worldwide deployments and contingencies, and provide for a seamless mobilization of reserve forces. The heart of the existing DJMS AC and RC systems is a central automated master file containing the service members Master Military Pay Account (MMPA). These files are the hub of DJMS and contain all data relative to the service member that affects pay accrual and distribution. All data flows into the MMPA and updates the system while providing output from the daily processing of transactions. DJMS AC and RC will be incrementally changed into a single system which will be streamlined with fewer lines of code. The DJMS design will permit a highly flexible, responsive capability to changing customer requirements. The design will incorporate standard functional documentation. The system's base member records will have data common to both the active and reserve forces allowing seamless transition during mobilizations. DJMS planners and Military Personnel Management - 21 (MPM-21) system planners will integrate corporate DoD personnel and pay processing. DJMS will use a shared entitlement data record created by the new MPM-21 system, Defense Integrated Military Human Resources System (DIMHRS) eliminating the need for reconciling separate entitlement data records between today's personnel and pay systems. The system will use a simplified, "standard-look-and-feel" Windows-based user interface for its active and reserve pay input master record inquiries and processing feedback.

2. Retiree and Annuitant Pay

All military retiree and annuitant pay has been consolidated into the Defense Retiree and Annuitant Pay System (DRAS), with all retirees paid at the DFAS Cleveland Center and all annuitants paid at DFAS Denver Center. This consolidation not only standardized policies and procedures across the DoD Military Services, but most importantly, reduced the costs of maintaining multiple systems. The DRAS consolidation effort effectively replaced eight systems. The DRAS initiative was completed on April 1, 1995. . To accommodate growth in the customer base, the Department continues enhancing technology and operations. In February 1996, a Business Process Review (BPR) of the DRAS electron document management process was initiated. The purpose of this BPR is to develop options for implementing a standard business process which will maximize automation capabilities and enhance the workflow operations. Upon completion, the solution that meets and compliments the processing operations at both DFAS Cleveland and Denver will be implemented.

3. Civilian Pay

Approximately 770,000 DoD civilian employees and 2,000 Executive Office of the President employees are paid through 2 systems from 4 DFAS locations. This is a substantial reduction in the original number of 27 systems and over 350 payroll offices that were required before the Department began to standardize finance and accounting operations and systems. Over 703,000 employees currently are paid using the Defense Civilian Pay System (DCPS) from the DFAS-Denver Center and the DFAS operating locations in Charleston, SC; and Pensacola, FL. Approximately 67,000 employees are paid using the Defense Business Management System (DBMS) from the DFAS-Columbus Center. In addition, the National Security Agency operates the DCPS software internally to pay its own employees and other components of the DoD intelligence community. All civilian payroll accounts are scheduled to convert to DCPS by May, 1998. Time and attendance data are captured at the workers' site and transmitted electronically to the payroll offices for the DCPS and DBMS. Over 90 percent of the Department's civilian employees receive their pay via electronic funds transfer.

For DCPS, installation personnel are responsible for entering and certifying time and attendance data and employee initiated payroll changes such as U.S. Savings Bonds, taxes, address changes, and the like. DFAS has implemented standard interfaces between DCPS and the personnel and accounting systems.

4. Vendor Pay

Vendor pay is the payment of commercial invoices except for payments on the Department's centrally managed (usually large) contracts. Annually, vendor pay operations process nearly 55 million transactions (including contracts, modifications, receiving reports, and invoices) in making payments that total over \$98 billion. Currently, payments to vendors are processed at the installation level and supported by varying degrees of automation. For the most part, the procedures and automated systems have been customized for each DoD Component, and for some major commands and individual installations as well. Similarly, the interfaces between the current vendor pay systems and their associated acquisition, receiving, accounting, and disbursing systems are in various states of automation with many unique applications.

Vendor pay operations are planned to be consolidated at the DFAS site that performs the accounting for the activity that initiates the procurement. The integration of accounting with the primary source of accounting transactions should enhance the timeliness and accuracy of accounting records, while greatly decreasing the level of effort involved in account reconciliation. Significant savings and improved accounting reports are expected from this alignment. Furthermore, it is planned that the Department will reduce, to three, the number of vendor pay systems. The goal is a single vendor pay system, which will be possible when a single suite of accounting and disbursing systems is identified for use throughout the Department. The proposed standardized DoD system for contract and vendor payments (currently under development) is the Defense Procurement Payment System (DPPS).

In addition, the Department intends to conduct a minimum of 85 percent of the Department's vendor pay business via Electronic Commerce/Electronic Data Interchange (EC/EDI). These are business practices that capture data in electronic form, at its source (electronic transactions), and use that data throughout the payment process, including the interfaces with disbursing and accounting systems. EC/EDI is being implemented throughout the vendor pay process, including both contracts and contract modifications, requisitions, invoices, receiving reports, application advices, payments orders, and electronic funds transfer (EFT) payments.

5. Transportation Pay

The transportation pay process involves making approximately four million payments annually for Government Bills of Lading and Government Transportation Requests. Three different systems are currently in use. Over 80 percent of the Department's payments to transportation carriers are made by the DFAS-Indianapolis Center; payments for the Navy are made from Norfolk, VA, and payments for the Marine Corps are made from Albany, GA.

As part of the implementation of the Defense Transportation Payment System (DTRS), the Navy and Marine Corps transportation pay operations are planned to be consolidated at the DFAS-Indianapolis Center. Most of the Department's transportation pay expertise already is resident at that location, and implementation of a modern transportation payment system already is in progress. The single automated payment system should include interfaces to the appropriate DoD Component transportation management activities and will maximize the use of electronic data interchange/electronic commerce.

6. Travel Pay

In 1995, DoD established a Travel Reengineering Task Force to streamline temporary duty travel. Based on the recommendations of the task force, the Deputy Secretary of Defense directed sweeping changes in the Department's travel processes. The first action was to establish a Reengineering Travel Transition Office to formulate policies and procedures for temporary duty travel. In September 1995, a Program Management Office was constituted to design and acquire a new Defense Travel System. The Request for Proposals was released on June 30, 1997. Implementation of the new Defense Travel System (DTS), under the direction of the OUSD(C) Project Management Office (PMO), will begin in April 1998. The PMO will "phase in" over a three year period the conversion of current travel processes to the new system. Target date for completion is April 2001.

Version 5.0 of the Integrated Automated Travel System (IATS), to be distributed at the end of September 1997, will provide a standard travel computation system for the DFAS, Defense Agencies, and all Military Services. IATS 5.0 provides electronic funds transfer (EFT) and split disbursement capability among its many improvements over earlier versions. Navy will be deploying IATS worldwide. During implementation of the DTS, IATS will continue to compute vouchers for travel that is not covered under the DTS umbrella. As additional entitlement sections of the DoD travel regulations are simplified (i.e., reserve and permanent change of station), those types of travel will shift from IATS computation to DTS computation.

7. Disbursing

Disbursing, the process of making payments and receiving collections, is performed both at the DFAS Centers and installations. At the installation level, disbursing is performed for military pay (particularly "local" (partial) and advance payments), travel pay, vendor pay, and functions that have not yet been centralized at a DFAS Center. Some Centers, as well as some installation-level disbursing offices, have multiple Disbursing Station Symbol Numbers (DSSNs), necessitating multiple reports. Disbursing officers (the holders of DSSNs) report financial transactions to an assigned DFAS Center (or intermediate Defense Accounting Office under certain circumstances) on a daily, weekly, or monthly basis in accordance with financial reporting requirements. The Centers consolidate these reports with their Center-generated data and report the transactions to the Treasury Department.

On July 16, 1997, the DFAS established a Defense Standard Disbursing System Project Management Office (DSDS PMO). The scope of this effort includes all disbursing functions, policies, procedures, and systems within the Department. Included in this effort are the disbursing functions and systems of non-DFAS activities (tactical, classified, shipboard, other) to the extent they are governed by DoD disbursing policy, regulations, and /or utilize DFAS disbursing systems. The DSDS mission is to develop a strategy to recommend changes to the disbursing functions, policies, procedures, and systems of the Department. Specific objectives of the DSDS PMO are to:

- Allow for standard input transaction and produce not only the required disbursement, but also provide a standard output of accounting data. Output will be produced in an EFT format as well as by hard copy check.
- Increase efficiency and effectiveness and reduce the cost of disbursing operations.
- The system must be compliant with any and all congressional/regulatory mandates and must be year 2000 compliant.

In the interim, the Department plans to consolidate disbursing operations at its Centers and Operating Locations on interim migratory disbursing systems (the Standard Finance System-Redesign, Subsystem I for the DFAS Centers in Columbus, Indianapolis, and Kansas City; the Automated Disbursing System for the DFAS-Cleveland Center; and the Integrated Paying and Collection System for the DFAS-Denver Center). To the maximum extent possible, all payments will be made by electronic funds transfer.

With the increasing use of electronic funds transfer, the printing of Treasury checks will be reduced substantially from the 260 sites performing this function today. This reduction will be

accomplished in phases. Initially, when a field finance and accounting activity is consolidated, the bulk of its check printing function will be transferred to the supporting DFAS Center or Operating Location. At first, each Operating Location is scheduled to possess a check printing capability. During the second phase, all check printing is planned to be consolidated at the five centers. During the final phase, all check printing is expected to be consolidated at no more than two DFAS Centers. Should the requirement for check printing decline sufficiently, it may be possible to consolidate all check printing at one Center.

Disbursing at the installation level largely will be eliminated. Most payments will be by electronic funds transfer from a DFAS Center or supporting Operating Location. Travel advances are expected to be provided through automated teller machines using the Government-wide travel charge card. Similarly, emergency local purchases are planned to be made using the Government-wide small purchase credit cards, with the actual payments made by a Center or supporting Operating Location. Where a disbursing capability is required at the installation level for customer service purposes, a deputy or agent can be appointed with limited cash authority (and limited check issuing authority in the case of deputies). These deputies or agents would be Military Service members or employees accountable to a DFAS Center or Operating Location disbursing officer.

8. Debt Management

Debt management is an integral part of current military pay, retiree and annuitant pay, civilian pay, travel pay, and disbursing systems for those individuals “in-service” owing debts to the government. Similarly, for contractor debts, initial debt collection activities are an integral part of current transportation payment, vendor payment, and contract payment systems. Debt collection procedures are designated to facilitate the prompt collection of debts from individuals and contractors, while providing full due process in accordance with the Debt Collection Act of 1982. The debt collection process has been further improved with the implementation of the Debt Collection Improvement Act (DCIA) of 1996, which allows for the expeditious recovery of certain debts resulting from routine pay adjustments. DFAS currently accomplishes a myriad of file searches, data matches, and reconciliations both internal and external to the DFAS pay systems. The purpose of these efforts are to detect potential overpayments, erroneous payments, and possible fraudulent activity; implement corrective actions; and, collect resulting debts.

For individuals not receiving pay within the department (out-of-service), debt management is centralized at the DFAS Denver Center with over 200,000 cases processed annually. Delinquent contractor debts are managed at the DFAS Columbus Center with over 3,000 delinquent debts valued at over \$3.4 billion. It should be noted that approximately \$2.2 billion of the total contractor debt is in formal litigation, and pending decision by the Armed Services Board of Contract Appeals, is currently identified as deferred debt. Both of the above operations use the Defense Debt Management System (DDMS), hosted at the DFAS Denver Center, to maintain and manage their debt portfolios. The DDMS uses a wide range of collection techniques to collect DoD debt including: the automated processes of sending dunning letters to debtors, reporting delinquent debtors to credit bureaus, referring delinquent debtors to collection agencies for collection assistance and to the Internal Revenue Service for offset against an individual’s federal income tax refund. In FY97, the DDMS recovered over \$208M in individual and contractor debts due to the Department. For FY98, the Department’s delinquent debts will be included in

the Treasury's National Delinquent Debtor Database (NID3) and be matched against all available federal payments. This process will implement the administrative offset provision of the DCIA of 1996, providing yet another tool to increase debt collection within the federal government.

9. Security Assistance Finance and Accounting

Finance and accounting related to agreements that enable foreign governments to purchase defense articles and services requires over 500 DFAS work-years annually. More than half of this effort is centralized at the DFAS Denver Center, Directorate for Security Assistance, the DFAS business manager for support to the security assistance program. Essentially, all stand-alone security assistance finance and accounting functions including accounting, billing, and debt collection have been consolidated there. Security assistance resources will continue to support operating locations where operations remain integrated with installation level processes. Our systems development concept includes moving all security assistance unique functionality to standard DFAS accounting systems

10. Nonappropriated Funds Finance and Accounting

Nonappropriated funds finance and accounting for Army, Navy and Air Force installation-level cover the accounting, payroll, and bill paying operations for officer and enlisted clubs, hobby shops, billeting funds, and similar activities not funded from DoD appropriations. It does not include finance and accounting functions for the nonappropriated fund exchanges.

These functions are performed at 220 sites using a variety of systems: the Air Force has 90 installations, each of which uses its own in-house finance and accounting system controlled, maintained, and updated by the Morale, Welfare, and Recreation Services headquarters located in San Antonio; the Army has 20 sites, 75 percent of whose finance and accounting is performed at the Red River Army Depot in Texarkana, Texas; the Navy has 110 sites using two systems that are controlled, maintained, and updated by its Morale, Welfare, and Recreation headquarters in Millington, Tennessee; while the Marine Corps' nonappropriated funds are consolidated with the Marine Corps Exchange.

11. Installation and Intermediate Level Accounting

Installation and intermediate level accounting includes not only maintaining an installation or intermediate commander's status of funds, but also maintaining required procedures and controls to ensure that proper accounting policies are followed. These accounting services are, for the most part, provided by the DFAS using existing DoD Component systems and procedures. The operations generally are performed at decentralized field offices located at the various installations. The DFAS-Columbus Center provides centralized accounting support to the Defense Logistics Agency, the Defense Contract Audit Agency, the Defense Commissary Agency, Navy and Air Force inventory control points, and the DFAS itself; other Centers have small accounting operations. These accounting functions are performed using a wide variety of systems. In the case of business fund accounting, the financial systems frequently are integrated with the functional systems (e.g., inventory accounting).

The consolidation of the Department's installation and intermediate level accounting is planned to be Component-aligned. This is a pragmatic decision primarily based upon system considerations. While a single standard DoD-wide system remains a fundamental long-range goal, the Department

recognizes that this goal cannot be achieved within the desired consolidation timeframe. Instead, the Department has adopted the intermediate goal of developing standard suites of migration systems by Component. Initially, different migration systems are expected to be used for general and business fund accounting in most cases. This is necessary because of the multitude of interfaces with Component-unique feeder systems in other functional areas. Achievement of this intermediate goal will result in greater progress towards standardization than ever before has been attained by the Department.

12. Departmental Accounting

Departmental accounting involves the consolidation of status of funds and cash accountability reports at the agency and department level for submission to Treasury, the Office of Management and Budget, and the DoD Components. Departmental accounting currently is performed at three primary sites on separate systems: DFAS-Indianapolis Center for Department of the Army funds and also for Defense Agencies and Defense-wide funds; DFAS-Cleveland Center for Department of the Navy and Marine Corps funds; and DFAS-Denver Center for Department of the Air Force Funds. The DFAS-Kansas City Center provides reports on Marine Corps funds to the DFAS-Cleveland Center and DFAS-Columbus Center provides reports for some Defense Agencies to the DFAS-Indianapolis Center.

DFAS is in the process of developing and implementing a standard Departmental Reporting System. The functional base of the system is to generate all Financial and Treasury Reports from the Standard General Ledgers (SGL).

Also, DFAS has an immediate need to respond to regulatory financial management compliance requirements. These requirements include the consolidation of financial statements for the Chief Financial Officer's (CFO) Act reporting and streamlining the departmental fiduciary reporting process. In establishing a standard cash accountability system, DFAS faces many challenges.

The Departmental Cash Accountability System development strategy will consist of several phases. The initial phase will address cross disbursing and will blend the Departmental Financial Reporting Reconciliation System Cross Disbursing Module with selected modules from Departmental Cash Management System and Departmental Database-Expenditures. All modules will be reengineered in accordance with the Defense Corporate Information Infrastructure (DCII) guidelines and standards and the DFAS Technical Architecture.

13. Contract Pay

Payments on approximately 96 percent of the 1.4 million invoices for the nearly 400,000 centrally managed, high dollar-value, U.S. and Canadian currency contracts (including European contracts paid in U.S. and Canadian currency) are made by the DFAS-Columbus Center or its detachment in Albuquerque, New Mexico. These payments are made mostly via an integrated contract management and payment system (Mechanization of Contract Administration Services (MOCAS)). Although MOCAS is no longer identified as the standard DoD contract payment migration system, it remains active and serves as an effective DoD contract payment legacy system. The newly proposed standardized DoD system for contract payments (currently under development) is the Defense Procurement Payment System (DPPS). One of the key elements of DPPS will be the systems integration with the Standard Procurement System, the Standard Logistics System, and the Shared Procurement Data Warehouse System. In addition to the con-

tracts paid at the DFAS-Columbus Center, a relatively small number of large Navy contracts are paid using a variety of payment systems. In addition to determining contractor entitlements and disbursing payments, the DFAS-Columbus Center also adds to the MOCAS database used by the Department's contract administration community. Seventy percent of the dollar value of these major contracts is paid using electronic funds transfer.

DFAS also is implementing EC/EDI in the contract pay area. Currently, efforts are underway to transmit contract data from four major contract writing systems to the contract payment system (MOCAS) and seven accounting systems. This automated effort will eliminate duplicate data entry and make timely distribution of contractual and financial data.

14. Working Capital

Defense Working Capital Fund (DWCF) systems cover a broad spectrum of unique business operations within each of the military departments and defense agencies. DWCF systems support activities operating in a business-like environment where their services or products are paid for on a unit cost basis by the customer requiring the support. Systems accommodating DWCF activities have a heavy emphasis on cost accounting, inventory management and customer billing in order to identify the cost and revenue associated with business outputs. DWCF systems are designed to:

- Provide a more effective means for controlling the cost of goods and services required to be produced or furnished by DWCF activities, and a more effective and flexible means for financing, budgeting, and accounting for costs.
- Create and recognize contractual relationships between DWCF activities and those activities that budget for and order the end-products or services.
- Provide managers of DWCF activities the financial authority and flexibility required to procure and use manpower, materials, and other resources effectively.
- Encourage more cross-servicing among the DoD Components and among their operating Agencies, with the aim of obtaining more economical use of facilities.
- Facilities budgeting for and reporting of the costs of end-products provide for evaluation of cost consequences and choosing between alternatives.

Additionally, these accounting services are, for the most part, provided by the DFAS using existing DoD Component systems and procedures. The operations generally are performed at decentralized field offices located at the various installations. Accounting support is furnished today using a wide variety of systems which frequently are integrated with functional systems (e.g., inventory accounting). However, migration systems for most business areas have been identified and are undergoing modification to comply with federal accounting and reporting requirements and standards. Further, commercial-of-the-shelf applications are being used where applicable. The overall approved strategy for DWCF systems is to migrate to a single accounting system for each military department or defense agency business area. While the basic strategy remains, opportunities have been taken advantage of where systems can be used to accommodate multiple services and business areas, thus further reducing the number of systems required to service the DoD community.

D. Technology Improvement

Currently, the Department has a large inventory of non-standard systems that were designed five to twenty years ago by the DoD Components. These systems were intended to operate in a specific operating environment to support user unique business practices and requirements. The capitalization of finance and accounting systems provides the opportunity to evolve into an environment that is integrated, interoperable, flexible and efficient. This is being accomplished through the development of a common, multi-purpose, standards based technical architecture and the standardization of functional business practices.

Primary components of the information management strategy include: an enterprise architecture; a standard software support environment; a standard technical architecture (software and hardware); use of enabling technology; an acquisition vehicle and security standards and capabilities.

Information management strategies and initiatives have been developed to facilitate the migration of the DFAS systems into a target environment based on the following goals:

- Technical competence in new technology
- Systems responsive to customer needs
- Efficient management of system development and maintenance
- High capacity telecommunications at the lowest cost
- Support improved business practices through the use of integrated new technologies
- Increased system integration across functions
- Increased use of electronic interfaces
- Standard system release practices and testing
- Migrate to a paperless environment
- Single source data entry.
- Increase information processing efficiency of applications

Many of the information management strategies will be integrated into automated information system initiatives (i.e., user interfaces, imaging, electronic commerce, expert systems and implementation of data standardization) and accomplished as an element of design or development efforts based on policy or program guidance. The enterprise integration initiatives—data modeling, process modeling and standard data elements—are near completion and establish a process for maintaining a shared, standard repository of information. Other initiatives are in various stages of completion (software process improvement, managing application performance program, teleservices, and Enterprise Local Area Network).

1. Enterprise Integration

Enterprise Integration (EI) represents a partnership of functional and technical management to achieve a combination of improved processes and effective application of information technology within and across the functional areas of the Department. The EI approach treats data as a corpo-

rate asset and assigns responsibility to the OSD level Principal Staff Assistants for systems within their areas of purview. This approach relies on greater up front analysis and integration of business requirements. The result is intended to be reengineered business processes that efficiently capture and share data and standard systems for each business requirement.

The EI approach to business requirement analysis makes use of information and activity models from which systems will be developed. Data models make use of the principles of information engineering to eliminate data redundancy, while activity models depict business requirements as standard non-redundant activities that can be combined into various business process scenarios. The models serve as an implementation-neutral view of the business. They reduce the documentation to an unambiguous and all-inclusive depiction of the functional requirements. This will lead to much greater flexibility and ease of system development and maintenance, with reduced human intervention and greater conformance to functional requirements.

The benefits of EI will be reduced costs of systems development and maintenance, improved business processes, improved availability of information for decision making, and much greater functional control of, and accountability for, the systems.

2. Data Modeling

The DoD Finance and Accounting data model serves as the basis for the development of DoD-wide standard data. The information engineering approach fosters development of an objective data model independent of the systems in which the data is captured and processed. This approach results in a robust data model which serves as the basis for the development of department wide standard data.

The Finance and Accounting Data Model covers most of the information requirements to support the finance and accounting functions. However, as specific system development or modernization projects incorporate standard data, new data requirements may be identified and added to the model and the standard data repository.

3. Process Modeling

The original DoD Finance and Accounting Process Model (also known as an activity model) was developed during 1992 to 1994 and has subsequently undergone revisions to convert to the Federal Government Standard Modeling format and add missing functionality. The Process Model clearly depicts the steps, operations, and information needed to perform finance and accounting business activities. It shows those aspects of the business in graphic form independent of physical implementation considerations such as timing, systems, or organizations. Although the activity model will serve as a solid foundation for future system development, it also is a valuable tool in the near term. For example, the activity model now is being used to support the development of the new Defense Procurement Payment System. Updates to the DoD model are made as necessary.

4. Standard Data Elements

The Department views data as a resource and commits itself to the efficient and effective use of standard data. Consequently, the Department is committed to the development and implementation of finance and accounting data standards to support both DFAS and DoD-wide strategic goals. The DFAS data administrators work with other communities to achieve data standardiza-

tion in interfacing functions. The intent is to provide flexibility to meet customer data needs and reduce information resource costs.

The DFAS strategy for data administration is based on high level planning with a top-down modeling approach to achieve data standardization. The DoD Finance and Accounting Data Model was completed in FY 1994. Updates to this model are made as necessary.

The DFAS has conducted inventories of legacy system data which reside in Center migration system data dictionaries. The DFAS has submitted to the Functional Data Administrator some 700 standard data items for DoD wide review and approval as standard data. To date, about 500 of those items have been approved and are under the stewardship of the Under Secretary of Defense (Comptroller). The candidate standard data are developed based on the information model and requirements documented therein. Data items submitted by DFAS are resident in and accessible through the Defense Data Dictionary System. Cross-functional cooperation continues with other DoD functional communities such as logistics, procurement, personnel, budget, and medical. Progress is apparent in the preliminary acceptance of finance and accounting data by these other communities.

E. Information Technology Strategies

DFAS is building an objective environment that integrates the operational, technical, and system architectures. The objective environment is projected to be achieved within a ten year execution window and is the template for reviewing, prioritizing, and approving new and existing initiatives and supporting management decisions.

1. DFAS Corporate Information Infrastructure (DCII)

The DFAS Corporate Information Infrastructure (DCII), in compliance with the Defense Information Infrastructure Common Operating Environment (DII COE) and Joint Technical Architecture (JTA), specifies that all new application system developments and reengineering efforts be built using the DCII and Defense Data Dictionary System (DDDS) registered data elements. The integrated DFAS architecture defined requirements for a DFAS data-sharing repository. The repository has been defined as the DFAS Corporate Database (DCD) and DFAS Corporate Data Warehouse (DCW). The DCD will contain standard data, maintain an audit trail to the data source, and be JTA compliant. The DCW will contain standard and non-standard data extracted from one or more operational systems, provide a standard suite of data conversion and analysis tools, enabling DFAS decision support needs, and be JTA compliant. A common DFAS development, test, and production infrastructure is being constructed to support these efforts and other data sharing requirements. This infrastructure includes all DCII components as well as the tools, applications and physical repositories necessary to sustain the DCD and DCW. The DCII will serve the data storage and management needs for all new and reengineered DFAS application systems.

Legacy and migration systems currently using non-open mainframe based operating environments will continue to operate within these environments until it is economical to reengineer or replace them. Prior to replacement, these systems may be converted to operate within an optimized standard operating environment (SOE) established by the Defense Information Systems Agency (DISA) Defense Megacenters. When reengineered or replaced, noncompliant systems will be built to operate within the DCII. All new developments will be built to operate with the DCII.

Over time, all DFAS application systems will be incorporated into the DCII, thereby eliminating all non-standard data stores, duplicate applications, and accounting/finance problems caused by the current non-standard environment.

2. Software Computing Strategies

The DFAS computing strategy implements common software engineering practices supported by a standard technical architecture referred to as the Software Engineering Environment (SEE). SEE implements a technical architecture of hardware, communications, and engineering support software. This strategy establishes a future target which will guide the definition and implementation of common practices and the acquisition and installation of components of the software engineering support technical architecture. The computing strategy pursues:

- Implementation of DoD mandates for open systems in the Technical Architecture Framework for Information Management;
- Software engineering productivity increases through the Software Process Improvement Program;
- Common software engineering practices across the DFAS facilitating cross-leveling of work and presentation of a single face to customers;
- Integrated Software Engineering Environment with a strong repository supporting reuse of data and processes across all financial systems;
- Re-engineering of all migratory applications to the target Application Execution Environment defined in the computing strategy for Operational Support; and
- Integration and alignment of applications to support a user-defined target functional architecture.

a. Software Process Improvement (SPI) Program

The SPI Program directly supports the Department's business goal to implement a standardized central design activity function within the DFAS. The SPI program does this by defining and institutionalizing a set of common procedures that will be used to develop, modify and reengineer automated information systems. This standardization will support cross-leveling of personnel across the organization in order to manage and balance workload requirements as they change, and will facilitate improvement of software quality via a corresponding improvement in the process used to develop, maintain, and reengineer software.

The SPI Program also supports the Department business goal of Business Process Reengineering, by concentrating on effective software development practices that have proven worthwhile within the overall software industry. The SPI Program is an example of continuous process improvement, in that processes, once standardized, will be evaluated regularly and changed in a disciplined way to implement innovations and improvements in technology and techniques.

The SPI program is centrally managed. The program currently embraces six organization-wide working groups in the key process areas of Configuration Management, Software Quality Assurance, Project Management, Software Subcontract Management, Software Testing, and Requirements Management. These groups design processes in assigned subject areas. Then,

Software Engineering Process Groups assist local management and staff to implement the standard processes. Implementation will be accomplished incrementally with the major migratory and interim migratory systems.

b. Managing Application Performance (MAP) Program

The mission of information management is to deliver high quality, high performance, cost efficient information systems that assist end-users in executing day-to-day operations. The application system provides the critical link between information and the end-user. It is here, at the application system level, where a focus on efficiency improvement can actually deliver more productive work, while consuming fewer resources.

The goal of the MAP Program is to reduce computer resource consumption and costs by 20 percent. Savings will be achieved through reduced CPU utilization, application runtime, and input/output activity. Redesigned applications achieve the same end user results using fewer resources by eliminating redundant or poorly designed processes. Applications are selected on a business-case basis, focusing on migration and interim migration systems, where the preliminary analysis indicates significant potential for processing improvements. The MAP Program utilizes Commercial Off-the-Shelf application performance tools, a well-defined methodology, and a staff of trained performance analysts to work with the DFAS Financial Systems Organization design personnel. The performance tools produce reports which identify and isolate application inefficiencies. These tools eliminate the time-consuming and labor-intensive analysis methods previously used.

Efforts will continue within the MAP Program to identify candidate applications where performance enhancement is warranted. Currently, this project is limited to those platforms utilizing multiple virtual storage operating systems/customer information control systems; however, the program will expand to other platforms used by the DFAS.

F. Enabling Technology Strategies

In addition to new technology in system development and maintenance, the DFAS intends to use enabling technology in various business areas to improve productivity and reduce overall costs. These other technologies are in the areas of imaging, teleservices, EC/EDI and telecommunications.

Enabling technology will apply to finance systems, accounting systems, consolidations, and on-going business practices in existing DFAS Centers and the evolving Operating Locations.

1. Imaging

The DFAS Document Imaging Program is a comprehensive business process improvement initiative designed to reduce the overall operational cost of DoD financial activities, and improve the delivery of customer services. This initiative supports the DFAS Strategic Plan to apply aggressively new methods and technologies to improve customer service and reduce operating costs. Imaging can capture data electronically, eliminating time, expense and errors resulting from manually entering data. Under the Imaging Program, the DFAS plans to house documents in master repositories located at each of its Centers and Operating Locations. User workstations will access digital documents from these repositories.

The Imaging Program Management Plan was approved by the DFAS in March 1994. Initial imaging support will be applied to the Operating Location functions of vendor pay, travel pay, civilian pay, accounting support, and disbursing; as well as Center requirements for contract pay garnishment, and debt management. Civilian pay also will be examined as a potential imaging candidate. The DFAS-Kansas City Center plus the Operating Locations Omaha and Charleston have been selected as pilot locations for the use of electronic imaging.

The Imaging Program will focus on initiatives to improve work flow processes and reduce cost by:

- Reducing the volume of paper required in the business centers;
- Speeding processing by inserting network functions to control distribution, cataloging and maintenance of large volumes of paper;
- Reducing the manpower, and space requirements for retention of backup data with the deployment of high capacity magnetic, optical, and video storage media;
- Improving customer service through use of image sharing and on-line matches of images;
- Reducing photo copies, manual sorting , fees and penalties for late payments, duplicate data entry and document retention; and
- Establishing an Electronic Commerce environment through the dual utilization of imaging and Electronic Data Interchange.

The Imaging Program supports other DFAS initiatives with enabling technology in support of functional process improvement and the consolidation effort for legacy, migratory, and target architecture.

2. Teleservices

The Teleservices Program is a business process improvement effort to improve customer service and reduce the cost of financial operations. The Teleservices Program goals are to integrate productivity tools with the finance migratory systems to support financial operations, reduce costs, and improve customer service.

The primary component of the Teleservices Program is empowering the customer to obtain information concerning their account interactively. This is provided through interactive voice response and world wide web technology. The Teleservices Program is a DFAS-wide support strategy at the DFAS Centers and Operating Locations. A Personal Identification Number program was established and is required for teleservices offering interactive access to sensitive but unclassified financial information covered by the Privacy Act.

The Teleservices Program applies telecommunications innovations with telephone and web services to provide our customers with alternate access to personal and business financial data. Automating the routine function of telephone inquiries with voice processing, interactive voice response, and web access will provide new and enhanced services to DFAS customers. Teleservices initiatives support retired and annuitant pay, active duty and reserve pay, travel pay, transportation pay, contract and vendor payments, and other consolidated activities that receive a high volume of customer inquiries.

3. Electronic Commerce/Electronic Data Interchange (EC/EDI)

President Clinton's memorandum of October 26, 1993, stated an Administration commitment to fundamentally altering and improving the way the Federal Government buys goods and services by ensuring that electronic commerce is implemented for appropriate Federal purchases as quickly as possible. The heads of each executive department or agency were directed to assist the President's Management Council in implementing the electronic commerce system as quickly as possible.

As part of the President's Electronic Commerce initiative and in cooperation with the Chief Financial Officers Electronic Commerce committee and the Financial Implementation Team for Electronic Commerce, the DFAS will assist with widespread adoption and implementation of electronic commerce concepts for financial operations across the Department. The DFAS has established an Electronic Commerce Program Office which is responsible for identifying and implementing—to the maximum extent possible—EC/EDI and Electronic Funds Transfer (EFT) across the DFAS.

Some of the Department's highest EC/EDI priorities include: implement the processes in program management systems to electronically request the validation of funds and recording of commitments in the accounting systems; implement the creation of electronic contracts and contract modifications in the contract writing systems and the recording of them in the payment and accounting systems; implement the processing of electronic receiving reports to the payment and accounting systems; implement the acceptance and processing in the payment systems of electronic invoices from vendors; and automate the pre-validation of payments against obligations prior to disbursing. In addition, the scope includes increasing the use of EFT, registering small vendors, establishing DoD Standard Implementation Conventions (IC) for our financial community, and implementing recommendations developed in conjunction with the Acquisition and Financial Management Panel. This Panel, established by direction of the Deputy Secretary of Defense, developed, through a working group, 48 recommendations that focused primarily on short and mid-term improvements. These improvements include implementing the use of standard ANSI X12 transaction sets to transmit contract and contract modification data from contracting systems directly to contract administration, contract payment, and accounting systems. This will reduce manual data entry and improve data integrity across systems. Implementation of these improvements will be phased in over the next several years.

Significant efforts are underway in several of the above areas. Pre-validation efforts have been implemented in the major accounting systems for MOCAS payments utilizing the DFAS developed Pre-validation System. The effort to provide electronic contracts to the payment and accounting systems have been implemented. Electronic invoice processing has been implemented in payment systems along with EFT payments. Other vendor payment systems are in the programming phase for automating invoices and receiving reports.

One of the most important benefits achieved by utilizing EDI end to end is one-time data entry. By capturing critical data at the beginning of our processes and utilizing EDI to forward data, we eliminate the opportunity for data errors. With data error eliminated, accurate information is achieved, and the number of people and the amount of time spent on researching errors is reduced.

4. Telecommunications - ELAN

The DFAS has developed a standard Enterprise Local Area Network (ELAN) architecture to provide a single network image to both users and applications, shielding them from where services originate, as well as the underlying technical details. The objective network services environment is based on standards that are emerging from national and international standards activities. These services are provided to applications and users requiring access to data and processes residing anywhere in the network.

These services can be logically divided into directory services which provide identification and location of network resources; platform interface services which includes data transfer, message handling, and remote resource access; and application interface services which allows applications to exchange information with other applications. The DFAS networks will support data, voice and video through a multiple media technology.

The migration strategy for network services required to support mission applications involves standardizing on Transmission Control Protocol/Internet Protocol in support of platform-to-platform communications and client/server applications. As emerging standards and associated products mature, this environment will evolve to include such things as the distributed computing environment, the distributed management environment, Kerberos security access controls, the simple network management protocol and, ultimately, open system interconnection. The ELAN will allow for connection to the Internet. This connection will foster the use of EC/EDI. The Internet connection will also foster our communications with our external customers and provide the DFAS elements with better access to internal documents and information.

5. User Interfaces

The user interface supports direct human-machine interaction by controlling the environment in which users interact with applications and the processing platform. The baseline environment consists of applications requiring character based input through dumb terminals or dumb terminal emulation. These applications lack standard presentation (look and feel) primarily because they were developed by different organizations. The objective environment is dictated by existing and emerging standards such as GOSIP, POSIX, and the DoD Human Computer Interface Style Guide. This environment can be characterized as providing a common look and feel, where icons are manipulated to process tasks. Users will be provided with a flexible, tailorable environment that shields them from the details of the underlying technical infrastructure. The existing technical infrastructure in the DFAS user community is conducive to supporting Microsoft Windows. Many DFAS users are already familiar with the Microsoft Windows environment. The near-term DFAS strategy will be to build on this familiarity and implement a Windows-based environment in the software development environment and in DFAS developed applications.

Where possible, we will acquire development tools that can generate character-based X Windows and DOS MS-Windows applications for workstations and local and wide area networks. This provides a migration path from the character-based environment to a graphical environment, and will allow for X Windows whenever the underlying technical infrastructure supports it.

The migration strategy for the user interface will introduce a graphical user interface environment in the DFAS development and production environments. The migration strategy initially will focus on establishing the infrastructure that can support MS-Windows-based applications. It will

be necessary to introduce Graphical user interface applications prudently, starting with applications that are limited in scope and numbers of users.

G. Information Technology (IT) Acquisition Strategy

The primary objective of the acquisition strategy is to ensure that the procurement process provides the capability to meet current and future IT requirements. Simply stated, the DFAS must have the capability to quickly and simply obtain quality IT products and services within schedule and at a reasonable cost.

The DFAS has centralized the contracting function to achieve economies of scale. The DFAS also has streamlined the acquisition process by decentralizing the acquisition of small purchases and centralizing the preparation of approval documentation for all larger acquisitions. The Central Procurement Office at each DFAS Center processes small purchase contracts and serves as the focal point for forwarding large acquisitions to the supporting large contracting office. The DFAS has established a centralized acquisition requirements management organization to prepare approval documents.

H. Security Strategies

Presently, the DFAS is exploring new technology to implement the Automated Information System (AIS) Security Program, to integrate available security capabilities (e.g., strong identification and authentication, secure certification authority workstation, electronic signature, encryption and internet management software) for all systems. The AIS Security Program will implement safeguards to protect DFAS AISs against intentional or unintentional modification, disclosure and destruction of information. AIS safeguards will also protect against denial of service to DFAS users and department activities when appropriate. In pursuit of protecting DoD's finance and accounting information, DFAS is striving to implement an AIS Security Program that takes into consideration all possible means of eliminating unauthorized access. The following paragraphs describe DFAS security strategies in the areas of network management, technology exploration, policy, system certification and accreditation, risk management, and virus and intrusion detection.

- DFAS is creating a virtual private, secure network for DFAS users by installing firewalls. The firewalls are compatible with DoD's standards-based Multilevel Information Systems Security Initiative (MISSI) security solution and the standard routers used in DoD networks. Although DISA has not made a selection yet for the encryption at the Defense MegaCenters (DMC), the DFAS solution complies with industry standards and should be capable of supporting the DMC solution. Once the DMC solution is operational and tested for interoperability with the DFAS solution, all communications between DFAS sites and the DMCs can be encrypted. This will fully protect finance and accounting transaction traffic over Defense Information Infrastructure. In the meantime, the DFAS solution is already encrypting traffic among DFAS Locations.
- DFAS also has been working with MISSI technology including Fortezza and non-Fortezza alternatives to employ stronger identification and authentication (I&A), encryption, access control, confidentiality, non-repudiation, and integrity for DFAS systems. These requirements include secure access to DFAS databases from users within DFAS, secure access to DFAS databases from users outside DFAS, and the use of the World Wide Web to reach DFAS

systems securely from any place and at any time. Several pilot projects that are exploring these technologies and approaches are underway. A DFAS-managed certificate management infrastructure is being developed and tested to support some of these approaches as needed.

- DFAS regulation 8000-1.R has been published and includes comprehensive policy and guidance on AIS security for systems, OPLOCs and ELAN operations. This guidance includes the development of the DFAS Certification and Accreditation (C&A) Handbook to support the C&A process; the DFAS corporate risk management template; and development of a comprehensive virus and intrusion detection reporting system.
- DFAS has standardized and documented a DFAS-wide C&A process that will help each AIS implement security measures to counter identified threats and vulnerabilities. All existing DFAS systems currently are undergoing re-certification using the newly revised C&A procedures. The process builds in a modular form and allows for periodic updates to separate modules.
- Central to a effective certification and accreditation (C&A) process is a risk management strategy. DFAS has a comprehensive AIS risk management process which defines, documents and implements AIS security into each system's life cycle. Risk management is a process for improving the security posture of an AIS. It is a continuous process of identifying, controlling, and eliminating or minimizing uncertain events that may affect AIS resources. DFAS is developing a corporate strategy based on the risk analysis of the DFAS business areas to allow for more streamlined approaches to evaluating enhancements to AIS applications, hardware configurations, and other software.
- DFAS has implemented a virus and intrusion detection reporting system to support DFAS and OPLOCs in the daily business processing. With increased emphasis on use of the World-Wide Web (WWW), networks and other DoD agencies interfacing with DFAS AISs, a proactive plan is a requirement.

I. Year 2000 Strategies

The Year 2000 will have a varying impact on information systems in the Department. Due to space limitations on early computers, the industry-accepted standard for representing a date has been six digits. The year portion of the date has always been two digits. Beginning with the year 2000, this standard produces potential miscalculations. The Year 2000 changes can effect all mainframe, midrange and personal computers. The two-digit year field can be found in microcode, operating system code, software compilers, application systems, data query languages, procedures, screens, databases, and data. Any computations that calculate age, sort by date, compare dates, or perform other specialized tasks are affected. The Department is faced with the task of modifying existing systems to properly process dates after 1999.

DFAS began work on the Year 2000 project in 1991. The DFAS Financial Systems Organization (FSO) has the responsibility to monitor and track all non-Year 2000 compliant systems. This process involves identifying all systems DFAS has responsibility for, separating compliant from non-compliant systems, and identifying a point-of-contact for each system. To accomplish this task, a spreadsheet of all systems has been created (input came from the System Inventory Database, DFAS Headquarters, DFAS Centers, and the Financial Systems Activities). Systems are tracked under either a DFAS Center or Headquarters Deputate, depending on who has primary responsibility. Each non-compliant system must have a plan for becoming compliant explaining how the system will meet the Year 2000 deadline of December 31, 1998. The spreadsheets are updated quarterly to enable the FSO to track the progress of each system toward becoming compliant.

J. Fraud Detection and Prevention

Operation Mongoose is DoD's fraud detection and prevention unit. It was established to minimize fraud against the financial assets of the DoD by analyzing data anomalies in search of fraud indicators sufficient to warrant investigation and to identify possible individual intrusion into financial systems for illegal personal gain. Operation Mongoose is managed by a program management team within the DFAS, and involves several other DoD organizations. Computer matching techniques are used to compare various dissimilar computer systems operated by financial organizations within the Department to identify anomalies that occur when data that should be the same fails to match from one system to another. Operation Mongoose areas of current interest include validation of vendor payments, military, civilian, and retired/annuitant payrolls, transportation payments, and payment system intrusion.

The Operation Mongoose methodology includes the combined team efforts of the DFAS, the Defense Manpower Data Center (DMDC) in Monterey, California, and the DoD Inspector General's Office, including the Defense Criminal Investigative Service (DCIS). These three organizations are working together to develop fraud indicators that are generated by the discrepancies between systems, collect and compare data from all over DoD, detect the presence of anomalies within the DoD systems, examine the appropriate records to determine if the anomalies actually are a result of fraud, and pursue criminal charges against the people responsible for the fraud. The Objective is to establish a permanently structured organization that will detect and prevent fraud by actively seeking it out, rather than waiting for it to surface by chance, be identi-

fied by informants, or be detected by random reviews that allow too great an opportunity for concealment of the crime.

The Operation Mongoose program manager has established a network that includes personnel already in place at the DFAS Centers, especially in their internal review organizations, in DoD financial and law enforcement agencies, and in several outside agencies including the U. S. Secret Service. Operation Mongoose conducts pro-active reviews of payments in five functional pay areas -- retiree/annuitants, civilian, military, vendor and transportation. The reviews have resulted in the elimination of millions of dollars of suspected fraudulent and erroneous regular payments. Operation Mongoose is presently in the process of completing the development of a tracking and reporting system that will increase the ability to monitor and control the cases under consideration, and to keep the network of responsible organizations informed of their status.

Subsection 2.3. Policy and Procedures Considerations

A. “DoD Financial Management Regulation”

In the area of policy, the Department has initiated a single DoD-wide “DoD Financial Management Regulation,” suitable for use at all levels. This issuance is replacing numerous separate DoD Component directives, and once fully implemented is expected to eliminate over 70,000 pages of regulations. The current publication status is shown in the following table:

<u>Volume</u>	<u>Title</u>	<u>Status</u>
1	General Financial Management Information, Systems, and Requirements	Issued 5/93
2A&B	Budget Formulation and Presentation	Initially Issued 6/93; Revised 5/94 and 6/96
3	Budget Execution - Availability and Use of Budgetary Resources	Issued 12/96
4	Accounting Policy and Procedures	Issued 1/95
5	Disbursing Policy and Procedures	Initially Issued 12/93; Revised 5/96
6	Reporting Policy and Procedures	Issued 2/96
7A	Military Pay Policy and Procedures (Active and Reserves)	Initially Issued 1/93; Revised 7/96
7B	Military Pay Policy and Procedures (Retired)	Initially Issued 12/92; Revised 6/95
8	Civilian Pay Policy and Procedures	Initially Issued 12/93; Revised 1/95
9	Travel Policy and Procedures	Issued 12/96
10	Contract Payment Policy and Procedures	Issued 2/96
11A	Reimbursable Operations, Policy and Procedures	Issued 3/97
11B	Reimbursable Operations, Policy and Procedures - WCF	Issued 12/94
12	Special Accounts, Funds and Programs	Issued 9/96
13	Nonappropriated Funds Policy and Procedures	Issued 8/94
14	Administrative Control of Appropriations	Issued 8/95
15	Security Assistance Policy and Procedures	Issued 3/93

B. Budget and Accounting Classification Architecture

The DoD Financial Management Steering Committee approved the BACC structural data elements in September 1994. The BACC structure is a prerequisite for any standard DoD accounting finance or accounting system and (1) is change responsive; (2) is focused on consistently meeting fiduciary reporting requirements; (3) is able to identify organizations, documents, and transactions; and (4) uniformly supports financial management information requirements. It is expected that the BACC will simplify the task of standardizing systems and the interface of information between systems at all DoD organizational levels.

The BACC/GET Project Office, started in the last year, has joined the objectives of BACC and the Global Edit Tables (GET) into a single effort and is coordinating the integration of BACC/GET into the DFAS Corporate Database Project.

BACC documentation is under development and coordination with the affected financial information owners. Completed drafts are available to the DoD network from DFAS-Lane (<http://www.dfas.mil>), the agency's Web Page.

The Global Edit Table project will have its initial master accounting classification edit table (at the level of Treasury cash accountability) available for the beginning of FY 98.

C. Data Standardization

The standardization of financial and other data continues to receive significant emphasis. A data administration program is in place and the DoD-wide data dictionary is being populated with standard financial management data elements. Long-term finance and accounting requirements have been documented and data and process models have been developed. Departmental personnel continue to work closely with other government and private sector groups to standardize data and formats of mutual interest and, thereby, promote increased use of capabilities such as electronic invoicing and electronic transfer of contract payments.

D. Government Purchase Card Program

Another important example of DoD reengineering involves the government-wide purchase card known as the International Merchant Purchase Authorization Card (I.M.P.A.C.). This program is playing a major role in the Department's efforts to streamline the acquisition process and cut the costs of performing finance and accounting support for processing commercial invoices. The program allows individual government cardholders, using a government I.M.P.A.C. credit card, to purchase items or services - primarily those costing \$2,500 or less (called "micro purchases")--from vendors. Under the current government-wide contract, the First Bank System reimburses the individual vendors for these purchases and the Department makes consolidated payments to First Bank.

In 1996, DFAS processed about 9.9 million commercial invoices per year. Although an estimated 7.7 million invoices met the micro-purchase threshold, only about 1.2 million of these invoices were associated with the use of the I.M.P.A.C.

The Department currently is reengineering its policies and procedures on using the charge card. Many of the acquisition pre-approvals and procedures are being streamlined. The I.M.P.A.C. Program, as it is known today, is expected to result in a faster and simpler procurement process,

faster payments to the vendors, faster processing of commercial invoices, and a reduction in workload for processing financial and procurement documents. This is a win-win situation. The government is able to procure its needs quicker and easier; the commercial vendors get reimbursed faster; and interest payments are virtually eliminated. These changes should result in an overall reduction in costs to the government - both in dollars and manpower.

The acquisition changes will be accompanied by other changes in the finance and accounting world. Procedural changes and reengineering business practices by DFAS and DoD Customers will enable an exponential increase in the use of the charge card and generate millions of dollars of savings within the Department.

Reengineering practices include:

- Use of bulk commitments and/or obligations in the accounting systems for micro-purchases.
- Use of summary level accounting in the vendor pay systems for groups of purchases instead of detailed lines of accounting for each transaction or purchase.
- Use of a standard accelerated invoice reconciliation and certification process for disbursing against commercial invoices.
- Use of automated reconciliation systems available for customers to track individual micro-purchases against summary commercial invoice data.

The I.M.P.A.C. reengineering initiative is consistent with the goals and objectives of the National Performance Review. The on-going changes will enhance the Department's ability to provide cheaper and better finance and accounting services to its customers.

Section 3

Specific Financial Systems

The Department has made substantial progress toward the consolidation and standardization of systems and operations. A functional architecture, shown in Section 3-A, has been developed to support the Department's overall goals. The best financial management systems in the Department's inventory are being identified, modified as necessary to meet DoD-wide requirements, and implemented as migration systems by business category for use throughout the Department.

The Department is continuing the process of evaluating functional migration accounting systems. Selected migration systems may be used until the transition is made from current accounting systems to standard, integrated accounting systems. Under this process, data and process models may be used to enhance the migration systems to assist in producing better integrated financial management systems.

Subsection 3.1. Migration Systems

The following areas have been studied and migratory systems designated:

A. FINANCE

1. Military Pay

The Army/Air Force Joint Service Software, and the Marine Corps Joint Uniform Military Pay System/Manpower Management System were chosen as the standard DoD military pay systems on October 17, 1991. Renamed the Defense Joint Military Pay System (DJMS) and the Marine Corps Total Forces System (MCTFS), the systems are expected to compute military pay and leave and provide accounting data for the management of the Military Personnel Appropriations. The MCTFS also accomplishes manpower management functions for the Marine Corps. Both the DJMS and the MCTFS have the following features:

- Computes Service members' net pay due from authorized entitlements, less mandatory withholdings and voluntary deductions.
- Provides Service members a monthly statement of entitlements, withholdings, and deductions.
- Maintains Service members' leave balances by accruing leave earned and deducting leave used.
- Provides Service members a monthly update of leave transactions.
- Provides financial accounting for military pay.
- Reports earnings and withholdings to federal, state, and local authorities.

The MCTFS operates at the DFAS-Kansas City Center. When MCTFS is fully implemented, by FY 1999, it will have replaced four systems.

The DJMS currently operates at the DFAS Centers in Denver and Indianapolis and is scheduled to operate at the DFAS Center in Cleveland. When fully operational, by the end of FY 2001, it is expected to replace 22 military pay systems.

2. Military Retiree and Annuitant Pay

The Navy Retired Pay System and the Air Force Casualty and Annuitant Pay System were chosen to be the baseline standard DoD retiree/annuitant pay system on August 8, 1991. Renamed the Defense Retiree and Annuitant Pay System (DRAS), it uses standard software and hardware to increase system functionality. The DRAS includes the following features:

- Computes retired pay for members that were previously active duty and reserve, as well as payments to surviving spouses under the Survivor Benefits Plan.
- Accounts for the payments issued out of the DoD Retired Pay Trust Fund.
- Reports payments, adjustments, deductions, and other pay related data.

The DRAS replaced eight payroll systems with one consolidated payroll system, operating at the DFAS Cleveland and Denver Centers respectively. All military retiree and annuitant accounts currently are being processed on DRAS. On April 1, 1995, DRAS implementation was concluded with the final phase which involved transferring 720,000 Army retiree and annuitant accounts.

3. Civilian Pay

The Navy Standard Civilian Payroll System was chosen as the standard DoD civilian pay system on September 12, 1991. Renamed the Defense Civilian Pay System (DCPS), it is a data collection, processing and reporting system for civilian pay and leave accounting. DCPS provides the Department with a fully automated standardized civilian payroll system supported by standard payroll procedures and practices. The system has appropriate automated interfaces with accounting systems and civilian personnel data systems. Other benefits includes the following:

- Uniform interpretation of regulations and payroll calculations.
- Standard operating procedures, forms, and training.
- Reductions of overall documentation including regulations, manuals, etc.
- Support for the standardization and integration with other areas such as personnel, accounting, and labor cost accounting.

DCPS payroll operations currently are being consolidated at DFAS payroll offices located in Denver, Colorado; Pensacola, Florida; and Charleston, South Carolina. As of August 30, 1997, DCPS provides payroll support for over 703,000 Army, Navy, Air Force, and Defense Agency civilian employees, and it is estimated to be paying 770,000 employees by the end of FY 98. During FY 97, DFAS will complete the implementations for all DoD civilian pay accounts except those remaining on the Defense Business Management System (payroll office located at DFAS Columbus). Those accounts will be converted to DCPS by May 1998.

4. Transportation Payment

The Transportation Information Payment System was chosen as the standard DoD-wide transportation payment system on December 10, 1992. Renamed the Defense Transportation Payment System (DTRS), it supports the DoD initiative to consolidate and standardize transportation payments, and will interface with the DoD standard accounting and disbursing systems. The DTRS includes the following features:

- Receives transportation Government Bills of Lading and invoices via electronic data interchange.
- Performs a prepayment audit of transportation bills.
- Disburses using electronic funds transfer technology.
- Manages claims and collections.

The implementation schedule for DTRS is under review currently .

5. Debt Management

The Departmental Accounts Receivable System was chosen as the DoD-wide debt management system on February 7, 1992. Renamed the Defense Debt Management System (DDMS), it eliminated five other debt management systems by standardizing the management and collection of out-of-service and contract debt. The DDMS provides standard interface support to the various accounting, financial, and personnel systems. The DDMS manages out-of-service and contract debt using the following:

- Automated interfaces with payment systems from which debt originates.
- Automated letters and bills to debtors.
- Centralized, automated processing of payments by individual debtors.
- Centralized, automated interfaces with other organizations such as collection agencies, credit bureaus, and the Internal Revenue Service.

On May 21, 1996, the consolidation of the Debt and Claims Management (DCM) operations at the Denver Center was announced. This consolidation eliminated similar operations at three other Centers and resulted in substantial workyear reductions from processing improvements, economies of scale and elimination of duplicative functions. The consolidation of the DCM operation was completed on May 15, 1997.

6. Property

The Defense Property Accountability System (DPAS) has been chosen as the standard DoD-wide property accounting system. The DPAS is an automated property accountability and equipment management system that provides for financial control over real and personal property. The system replaces over 150 separate property systems in DoD organizations. The DPAS is expected to increase management control over assets, provide for better control over reorganization and closed bases asset distribution and provide a mechanism for improved theft detection. Having a single property system also is expected to save funds by eliminating the need

for numerous organizations to continuously maintain and improve their own unique property systems.

The DPAS is expected, eventually, to support accounting for over \$765 billion in DoD property. The system satisfies the requirements of both the Federal Managers' Financial Integrity Act to increase the internal control over property and the Chief Financial Officers Act to improve the accuracy of financial reporting.

B. Accounting

The Department is correcting deficiencies and improving the quality of its accounting and reporting capabilities. To achieve a rapid improvement in the quality of accounting and reporting, the DFAS plans a fast transition from deficient systems to a smaller number of quality systems.

Migratory systems have been designated for the following areas.

1. Working Capital Fund

a. Research and Development

Defense Industrial Financial Management System (DIFMS) provides accounting services for the six Naval Aviation Depots (NAVAVNDEPOTS). This system encompasses the principles related to budgeting, accounting and reporting at field activities; it maintains general ledgers, handles disbursements, bills customers and support other general Working Capital Funds. DIFMS captures labor, material, contractual and other costs at the shop and job order levels; it accumulates and maintains data in cost and expense records; and records financial and other information on customer order records. Customers are billed and cash receipts and expenditures are processed and accounted for mechanically. Management reports provide useful information on direct and indirect programs.

b. Information Processing

Industrial Fund Accounting System (IFAS) consists of three modules: accounting, budget, and chargeback. The Accounting Module is a batch oriented WCF accounting system that is customer designed to support information technology facilities operating in a fee-for-service environment. The accounting module is comprised of eight transaction driven applications (subsystems) and a front-end, on-line data entry/telecommunications network designed to support multiple remote entities with roll-up capability to meet corporate financial reporting requirements.

The eight applications capture: (1) non-labor cost, encumbrances and cash transactions such as travel, transportation, commercial and government contracts, commitments, obligations, accruals and receipts; (2) military labor costs; (3) civilian labor costs, which are reconciled with civilian paid labor via payroll system interfaces; (4) capital assets and minor property, including generating appropriate depreciation cost and expenses; (5) labor and non-labor cost, expenses and encumbrances combined in a single flexible and adaptable data file for other subsystem use and management queries; (6) table master files and job order master files, which are used extensively by all other subsystems; (7) customer funds and centralized customer billings; and (8) a complete history of general ledger details and required financial statements including trial balances.

The budget subsystem is an on-line real time database management information system. The subsystem provides a standardized method for budget preparation and the monitoring of execution data against an approved operating budget. The budget subsystem provides the fee-for-service concept in the development of the WCF billing rates. Its costing concepts address the relationship of cost to the output of that activity. Applications in the budget subsystem include Labor, Payroll Management, Workload, Rate Development, Budget, Project Tracking, Bulletin Board System, Financial Management (Unit Costing), Headquarters Processing, and User Utilities which allow users to customize their personal computers for purposes of producing management reports.

The chargeback subsystem provides billing and utilization data for resources consumed in the production of ADP services. This is accomplished through a combination of capturing data from automated logs (e.g., CPU time, I/O time, tape mounts) from a variety of hardware suites, labor hours and non-labor costs passed from the accounting subsystem through an automated interface. Manual entries also are captured and processed. Workload utilization currently is collected in 43 categories called resource units.

The chargeback subsystem calculates billing amounts by multiplying workload utilization, direct labor hours, and direct non-labor costs by the appropriate billable rates resident within each activity's cost rate file. The Chargeback subsystem contains a site specific cost rate file that is centrally managed. Calculated billing amounts are summarized by customer through an automated interface. Detailed utilization data and gross charges (billing amounts) are passed to the budget subsystem through an automated interface.

c. Supply - Wholesale

Commodity Command Standard System (CCSS) is a standard accounting and supply management system for the U.S. Army's five inventory control points. This system accounts for the funds for the Defense Business Operations for Supply Management and the Conventional Ammunition Working Capital Fund. The accounting function is contained in one of several ADP modules within CCSS. Other modules support functions such as the requisition, procurement, and issue of material. All these modules together provide a comprehensive logistic management system.

The financial accounting module provides fund control and general accounting and reporting for hardware related funds and transactions. The system includes interfund and non-interfund billing procedures, but does not otherwise provide for disbursing operations. This system does not provide cost accounting or general accounting of personnel services. The functions of the CCSS financial system is fully automated within the confines of the overall system.

Material Financial Control System is used for contracts, repairs, and requisitions for Navy Supply Management activities and is comprised of expenditure processing, allotment accrual accounting, and inventory accounting and billing. The allotment accrual accounting consists of: establishment, maintenance, posting, and closing of general ledger accounts; fund certification; and contract audit processing for follow-up actions on accounts payable and commitments. The inventory accounting and billing function maintains the fund code data, adjusts the general ledger,

provides general ledger inquiries and generates bills for cash sales, interfund, and other supply officer sales.

Financial Inventory Accounting & Billing System (FIABS) is an on-line, transaction processing management and accounting system used for Air Force supply management activities. FIABS processes transactions for: updating local inventory control information, recording the appropriate financial transactions, and customer billings. FIABS provides the means for recording financial and program data related to the accounting, billing, and management of the Air Force supply management activities. The data recorded in FIABS is used to provide information as to the status of supply management inventories and to provide data at various levels of detail to managers throughout AFMC. The primary feeds of data to FIABS are through batch (tape or network) interface from the supply systems.

Standard Automated Material Management System (SAMMS) is used by the Defense Logistics Agency (DLA) Supply Centers to process requisitions, manage their items, issue stock from the depots and procure material from contractors. It consists of an Entry/Exit Process Subsystem and the following five operational subsystems: Distribution, Requirements, Technical and Logistics, Contracting and full accounting functionality including funds control, payables, receivables, billing and General Ledger capabilities. SAMMS employs the concepts of modular design which provides the capability of changes to one subsystem without affecting the total system, and multiple process involvement which permits multiple processing routines to be accomplished simultaneously.

Fuels Automated System (FAS) provides an automated, integrated and responsible system of procurement, inventory control, distribution and financial management to support the integrated materiel management of bulk fuel and petroleum products by the Defense Logistics Agency. FAS was designed with the following characteristics: automated validation/verification of data; exception processing; modular design/programming, consolidated files, audit trails; minimum document flow; and flexible "ad hoc" inquiry capability.

FAS is composed of several applications which parallel the functional processes which occur in the Defense Fuel Supply Center (DFSC) and interact with the Defense Fuel Regions, the Defense Fuel Support Points, and the Military Services and Federal Agencies (which are the customers of DFSC). These applications are as follows: (1) Active Contract, (2) Financial Inventory Accounting, (3) Transportation Recording, (4) Transportation Expense, (5) Distribution Plan Authority/Source Identification and Ordering Authority, (6) Service Expense, (7) Disbursements and Refunds, (8) Address and Profile, (9) Inventory Status, (10) General Ledger, (11) Billing and Collections, and (12) Funds Control.

Defense Integrated Subsistence Management System (DISMS) also is used by the Defense Logistics Agency and provides for procurement and distribution of subsistence items worldwide for troop issue, commissary support and civil agencies. Current financial functionality includes vendor payment and disbursing. A scheduled enhancement will provide fuller accounting capabilities. DISMS has been designed as an on-line data base management system and integrates all aspects of processing.

d. Supply - Retail**Standard Army Financial Inventory Accounting and Reporting - Modernization**

(STARFIARS-M) is a field level budget execution and financial inventory accounting system which supports the United States Army's continental installations and comparable overseas commands. STARFIARS-M is used to (1) account for retail level inventory (supply requirements); (2) provide financial inventory accounting for non-WCF inventories; (3) provide accounting support for the acquisition of wholesale level material; and (4) interface with standard and unique supply systems as well as the general accounting system.

Standard Material Accounting System (SMAS) provides retail financial accounting support for the Air Force Supply Management Business Area. SMAS includes a fund control, General Ledger, receivable and payable accounting, and billing functionality. SMAS interfaces with multiple logistics and other financial systems to obtain data in order to execute its accounting functions.

Base Operations Support System (BOSS) is an integrated supply system with a financial subsystem that includes funds control, Trial Balance reporting, subsidiary ledgers, and an allotment ledger. BOSS supports DLA depots and supply centers and accounts for supplies, equipment, job services, rentals, and a retail stock fund. BOSS also provides for automated Purchase Orders, MILSTRIP requisitions and interfund billings.

e. Distribution Depots, Supply Management and Information Services

Defense Business Management System (DBMS) is a fully automated integrated resource management system that supports the Distribution Depots, Supply Management and Information Services business areas. It is comprised of four major subsystems: Personnel, Payroll, Resource Administration, and Appropriation Accounting. All DBMS Subsystems, except Personnel, perform finance and accounting related functions. The major DBMS accounting functions include:

- General ledger accounting
- Budgetary accounting and funds control
- Cost accounting including job order cost accounting and unit cost accounting capability.
- Accounting for receivables and payables
- A fully integrated civilian payroll system, as well as, military personnel accounting

f. Depot Maintenance

Standard Industrial Fund System (SIFS) is the standard financial management accounting and reporting component of the Army Material Command Integrated Logistics System, formerly Standard Depot System. SIFS is used to provide detailed information required by depot and other Army managers and to meet external reporting requirements. The major functions of this system are fund distribution and control, cost accounting, and general accounting. The five

applications included in SIFS are: General Fund, Financial Inventory Accounting, Cost Accounting, Methods and Standards, and Automated Internal Operating Budget.

Defense Industrial Financial Management System (DIFMS). DIFMS has mechanized most of the major accounting functions of the Navy's depots. These functions are summarized as sub-systems: cash, labor (interfaces with the Defense Civilian Pay System), other cost, material, cost summary, job order/customer order, billing, general ledger, purge/history and fixed asset accounting. In addition, modifications to meet necessary reporting requirements for Depot Maintenance Reporting, Cost/Schedule Status Reporting and Cost Competition have been automated.

Air Force Depot Maintenance. Tentative decision has been made to use DIFMS to support this business area. Final decision pending completion of a business process review.

g. Public Works and Printing and Publications

A commercial off-the-shelf system has been purchased that will provide full accounting functionality. Titled the Defense Working Capital Accounting System it was selected from the General Service Administration Financial Management System Software schedule and is deemed to be compliant with CFO and JFMIP requirements.

h. Transportation

The Defense Joint Accounting System is a fully integrated financial management system that can account for both appropriated and working capital funds. DJAS currently is functionally compliant with CFO standards and has been selected to replace existing transportation accounting systems. DJAS has the following features:

- Employs a transaction-driven general ledger
- Integrates on-line/real-time funds control
- Cost accounting capability
- Contains an inventory control module
- Integrates budgeting, accounting, payables, disbursing, receivables, billing, collection, travel order preparation and fixed asset accounting

i. Reporting

The Defense Departmental Reporting System (DDRS) is designed to capture, maintain, and report general ledger account balances for the DoD Components. The DDRS general ledger account structure is functionally compliant with the DoD Financial Management Regulation. The specific accounting levels supported are: Administering Office, Sub-Allocation, Fund Administrator, and Subactivity. This system allows for processing, both on- and off-line, information. On-line processing is accomplished by use of a variety of screens, each specific to unique transactions. Off-line processing is accomplished by interfacing with input data streams.

2. Funds Distribution

Program and Budget Accounting System - Funds Distribution (PBAS-FD) is an automated, on-line system which controls the receipt and issue of direct and reimbursable program and funds,

including any reprogramming, for Army and Defense Agencies. Also, it controls the budget and reimbursable authority.

3. General Accounting

Defense Joint Accounting System (DJAS). The Defense Joint Accounting System (DJAS) is a fully integrated financial management system that can account for both appropriated and civil works funds. DJAS currently is functionally compliant with CFO standards and is the General Fund accounting system proposed to support the Army, Air Force, Defense Agencies, Transportation and Security Assistance activities. DJAS has the following features:

- Employs a transaction-driven general ledger
- Integrates on-line/real-time funds control
- Cost accounting capability
- Contains an inventory control module
- Integrates budgeting, accounting, payables, disbursing, receivables, billing, collection, travel order preparation and fixed asset accounting

Standard Accounting and Reporting System (STARS) is a standardized, multiple major claimant financial management and accounting automated data processing system that presently supports the U.S. Navy. The total system includes STARS Departmental Reporting, a departmental reporting system that includes Navy funds distribution and direct reporting, STARS Headquarters, an intermediate claimant system, STARS Field Level, an “on-line”, “real-time”, integrated field level accounting subsystem and STARS-ONEPAY, a single bill paying subsystem that features DoD-Wide invoice processing from vendors utilizing electronic data interchange and electronic funds transfer for bill payments. By the beginning of FY 1998, STARS will be functionally compliant with the CFO standards.

Standard Accounting and Budgeting Reporting System (SABRS) provides an automated financial system for use by authorized operating budget holders at Marine Corps field-level. SABRS replaced the Priority Management Effort, the Marine Air/Ground Financial Accounting System, the Class I Budget System and selected Class III accounting and budgeting systems. Additionally, the system provides legal, fiduciary and financial management compliance with requirements imposed by statute, directive or guidance for Marine Corps commands. To reduce the myriad of existing systems, DFAS-Kansas City is moving toward standardizing accounting applications for appropriations supporting the Marine Corps under SABRS. SABRS is the sole DFAS-Kansas City migratory system for general accounting. Current enhancement initiatives include the expansion of SABRS to fully support accounting, budgeting and reporting functions for other Marine Corps appropriations.

4. Cash Accountability

Defense Cash Accounting System (DCAS) will control, consolidate, and reconcile disbursements, reimbursements, collections, and receipts and ensure posting to accounting records by the responsible accounting station. DCMS also will provide reports at the level of detail prescribed by the Office of Management and Budget, Treasury, and the Department.

Subsection 3.2. Interim Migration Systems**Finance**

Standard Finance System - Redesign I (SRD-I) is a disbursing system that operates in a data-base management/interactive system providing a relational approach to the storage and retrieval of data. The use of source data automation reduces duplication of input, improves accuracy and simplifies reconciliation. The system accepts direct key data entry but relies primarily upon system interfaces with PC based micro entitlements systems via file transfer of data. Disbursements and collections are created with multiple options as to method payment/collection. Daily and monthly standard reports are system generated. All transactions produced by SRD-1 ‘bridge’ to the receiving accounting system and feed accounting reports.

Integrated Paying and Collection System (IPC) tracks Air Force cash disbursement and collection transactions, check payments, miscellaneous voucher processing, accountability data, prepares various reports, prints checks, and processes level 8 Treasury check reporting. Appropriations accounted for are in terms of Treasury accountability and include all appropriations included in the General Accounting and Finance System and related Merged Accountability and Fund Reporting system.

Automated Disbursing System (ADS) processes disbursements and collections, payments made via check, electronic fund transfer, electronic data interchange and the Department of the Treasury’s On-line Payment and Collection System (OPAC) for all branches of the military and DFAS activities servicing the military. ADS also performs miscellaneous voucher processing, accountability data, prepares various reports, prints checks, and processes level 8 Treasury check reporting. Appropriations accounted for are in terms of Treasury accountability and include all appropriations in the Navy Accounting and Reporting Systems.

Subsection 3.3. Audited Financial Statements**Impediments to Auditable Financial Statements**

Previous audits have confirmed that the Department’s financial management systems were not designed to generate auditable financial statements and have demonstrated that widespread diversions from generally accepted accounting principles exist in many of the Department’s current systems. Some of the more significant deficiencies include:

- The use of a variety of non-integrated data bases. These separate data bases preclude the easy or reliable integration or interfacing of information from other (non-financial) functional areas—such as personnel, acquisition and logistics—with the Department’s finance and accounting systems.
- Current finance and accounting systems often are not sufficiently flexible to respond rapidly to changing customer bases, legislative changes, contingency operations, management initiatives, requirements from other government central agencies, or other changes.
- Finance and accounting systems often do not include automated indicators that measure, or are linked to, costs, performance measurements, or other output measurements.

- Finance and accounting systems lack a single standard transaction driven general ledger--an essential ingredient for sound reliable financial reports.

In addition, inadequate internal controls and undocumented audit trails have contributed to unreliable financial data and exacerbated significant procedural and systemic deficiencies.

Weaknesses include the Department's difficulties with:

- verifying and reconciling cash,
- consistently valuing and reconciling physical inventories to financial account balances
- accurately reporting the value of property, plant and equipment, and
- reporting amounts in a consistent and timely manner.

This is due largely, but not entirely, to long standing systems problems. The continuing system problems remain a serious challenge to the Department—and realistically will require a number of years to correct. However, these audits also have shown that some actions, short of substantive system changes, can be taken to improve operations. Many of those actions either are planned or are ongoing to redress current system deficiencies.

Subsection 3.4. Defense Financial Management Improvement Plan

The Department's effort to achieve audited financial statements is focused on two major areas automated systems and standardized policies and procedures. Some of these functions (policy formulation) will require less time to achieve than others (systems definition, development and implementation).

The diversity and complexity of the Department's business affairs exacerbates the challenge of bringing DoD into full compliance with the Chief Financial Officers Act. The Department's ability to achieve auditable financial statements is dependent on the application of adequate resources (personnel, time and money) to resolve existing problems; and modifying the Department's financial management systems and processes will be a costly proposition. While the changes planned will make the systems more efficient, thereby resulting in less costly financial system operations, additional functionalities will be required and the increased cost of such added functions will offset such savings to some extent. Once these needed improvements are in place, the Department's financial operations are expected to yield financial information that is of a higher quality and provides greater benefits for the monies invested.

To aid in achieving these goals, the Department has established a Senior Financial Management Oversight Council chaired by the Deputy Secretary of Defense. In addition, the Deputy Secretary established the Working Capital Fund Policy Board to oversee actions and milestones for the improvement of the Fund. The Board monitors Fund implementation and operation, including policies, rates, cash flow analysis and criteria, and reviews of business area performance. Further, the Under Secretary of Defense (Comptroller) chairs a departmental Financial Management Steering Committee. This committee oversees the development of functional requirements, facilitates the implementation of policy recommendations, and addresses financial management systems and practices—other than those involving the Working Capital Fund.

The benefits to the Department of standardizing and reducing the number of its financial management systems should be significant. The cost of maintaining a few hundred systems will be reduced to that for fewer remaining enhanced, standardized systems. The quality of financial information should be enhanced significantly, providing managers with the relevant data needed to manage the business affairs of the Department. Availability of information to managers should be more timely, thereby allowing managers to use the latest information in resolving complex problems and issues. Additional benefits accruing to the Department should result from facilitated use of electronic fund transfers and electronic data interchange. When fully implemented, most information should be transferred in an electronic mode for applications such as vendor invoicing, contract payments, travel settlements and direct deposit of military and civilian pay.

The Department's high-level plan continues to focus on the two basic subject areas discussed above—automated systems and standardized policies and procedures. The successful completion of this plan requires a significant involvement by each DoD Component, and is predicated on all the DoD Components playing integral parts in executing the plan. The Department's senior management recognizes that a substantial amount of centralized discipline must be brought to bear in achieving success. Therefore, senior management is involved in defining financial management standards, selecting appropriate financial systems and enforcing a standard financial management policies throughout the Department.

In summary, the Department considers the correction of deficiencies in its current financial systems to be a priority matter, and the Department's senior managers are focusing on fixing the problems. However, recognizing the extent of the deficiencies to be overcome, and the scope of the challenge that it faces to achieve audited financial statements, the Department cannot attain full compliance with the Chief Financial Officers Act in the near term. It will take considerable time, money and effort to achieve auditable financial statements.

Subsection 3.5. Functional Architecture

Section A Figure 1 shows the Migration Strategy Stages, Figure 2 shows the Target Accounting and Finance Systems, Figure 3 shows the Defense Accounting System Target Architecture, and Figure 4 shows the Finance and Accounting Architecture.

Subsection 3.6 Migration Tracking

Section B contains the timelines of legacy systems functionality being incorporated into migration systems under development until the migration systems are deployed.

Subsection 3.7 Migration System and Compliance Strategy

Section C contains the migration system and compliance strategies which support the Federal Managers' Financial Integrity Act for reporting on financial management systems conformance, and add the framework of a tactical plan by providing specific details for each element on expected objectives, steps required to meet those objectives, and milestones and performance measures to monitor progress.

Subsection 3.8 Inventory of Financial Management Systems

Section D contains the inventory of DoD financial management systems required by the Federal Managers' Financial Integrity Act.

FUNCTIONAL ARCHITECTURE

SECTION A

Migration Strategy Stages

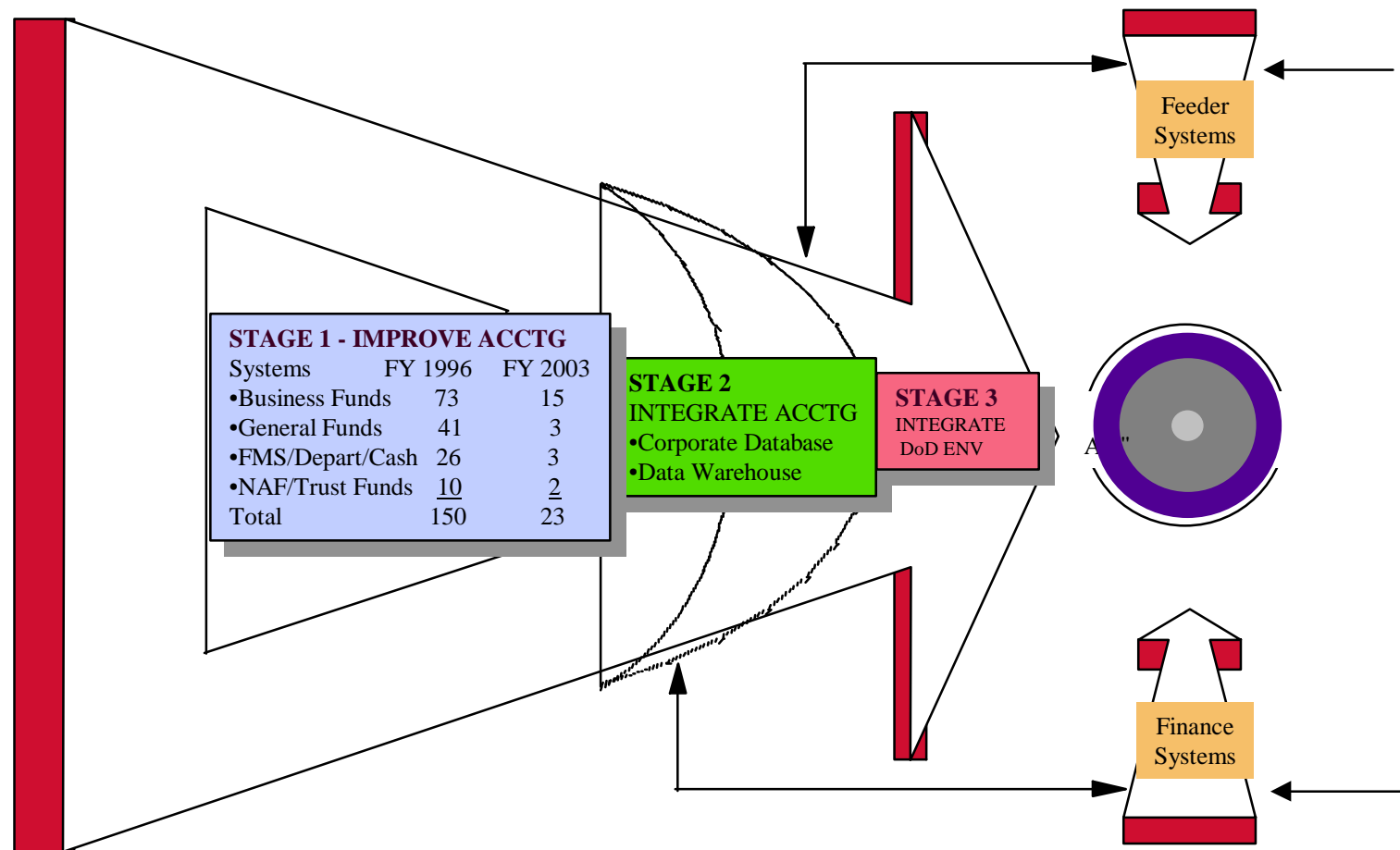


Figure 1

Target Accounting and Finance Systems

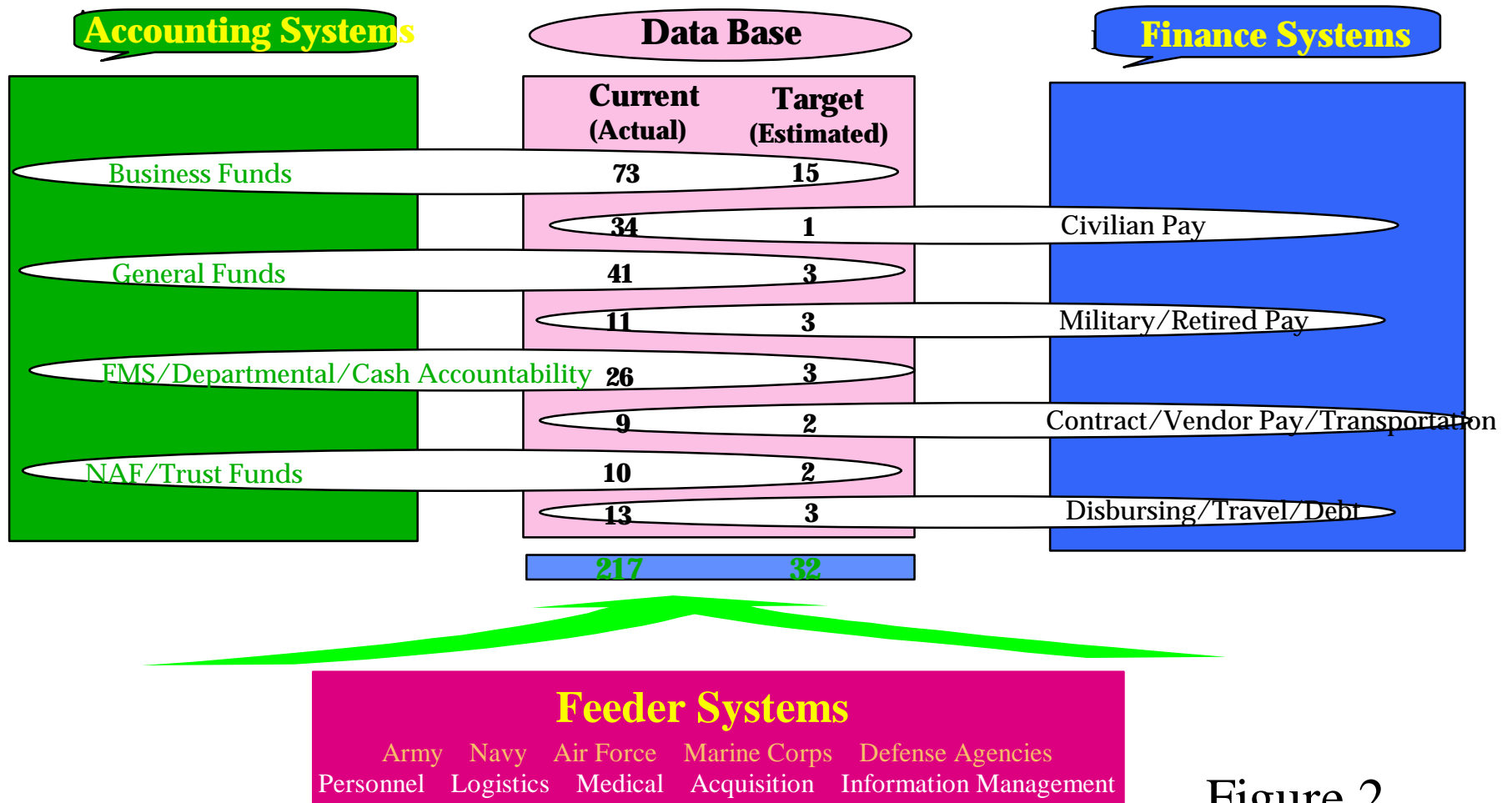


Figure 2

DAS Target Architecture

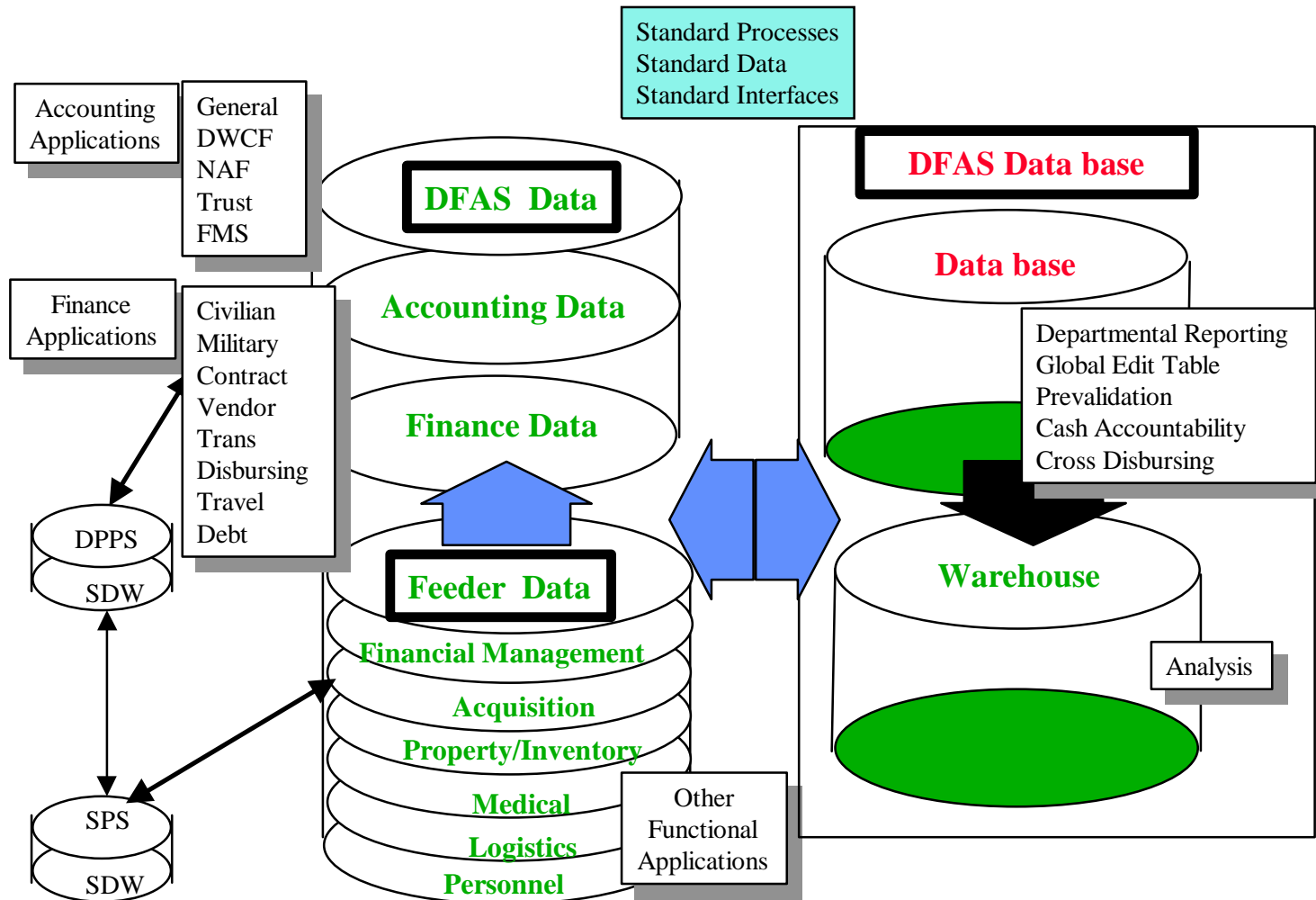


Figure 3

Finance & Accounting Architecture

Functional Requirement

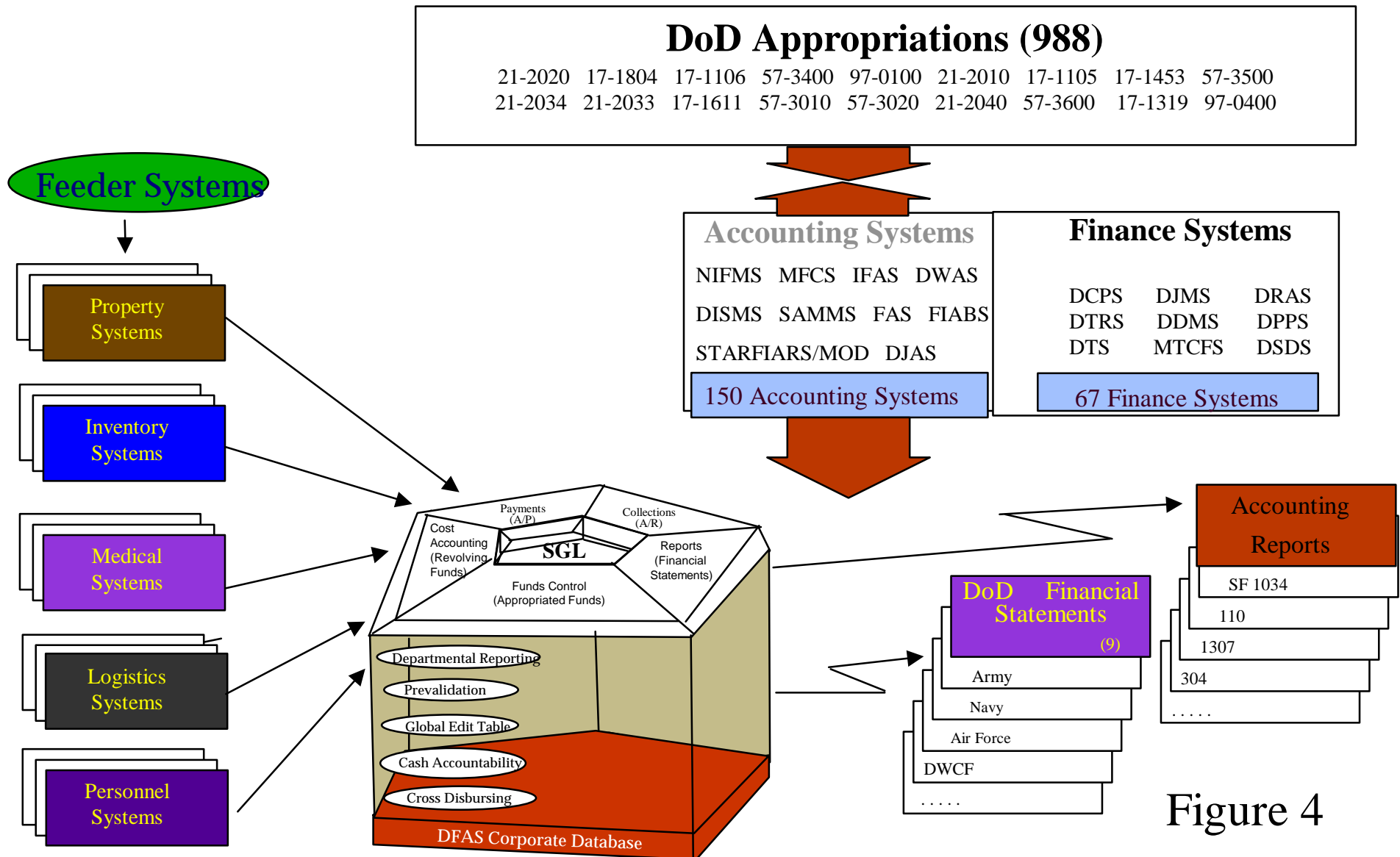


Figure 4

MIGRATION TRACKING

SECTION B

Migration Applications

ADS=I (DSDS)

RCBS

DD/EFT

RECERT

UCS

Applications
Fiscal Year

93

94

95

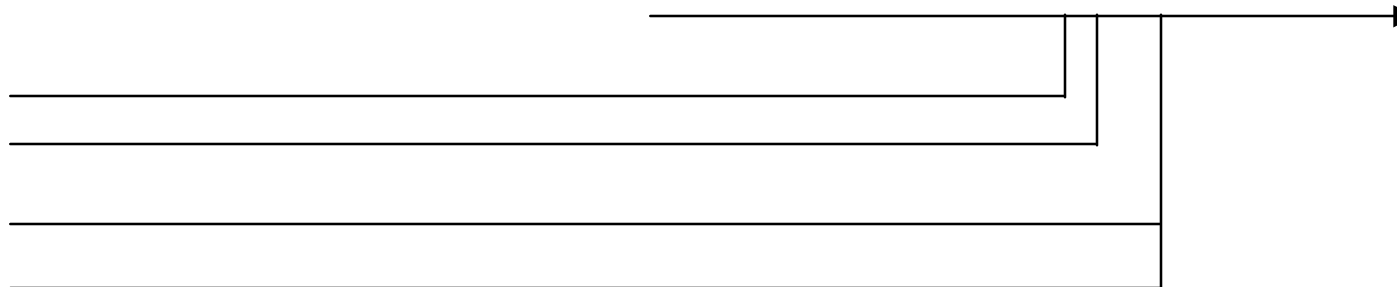
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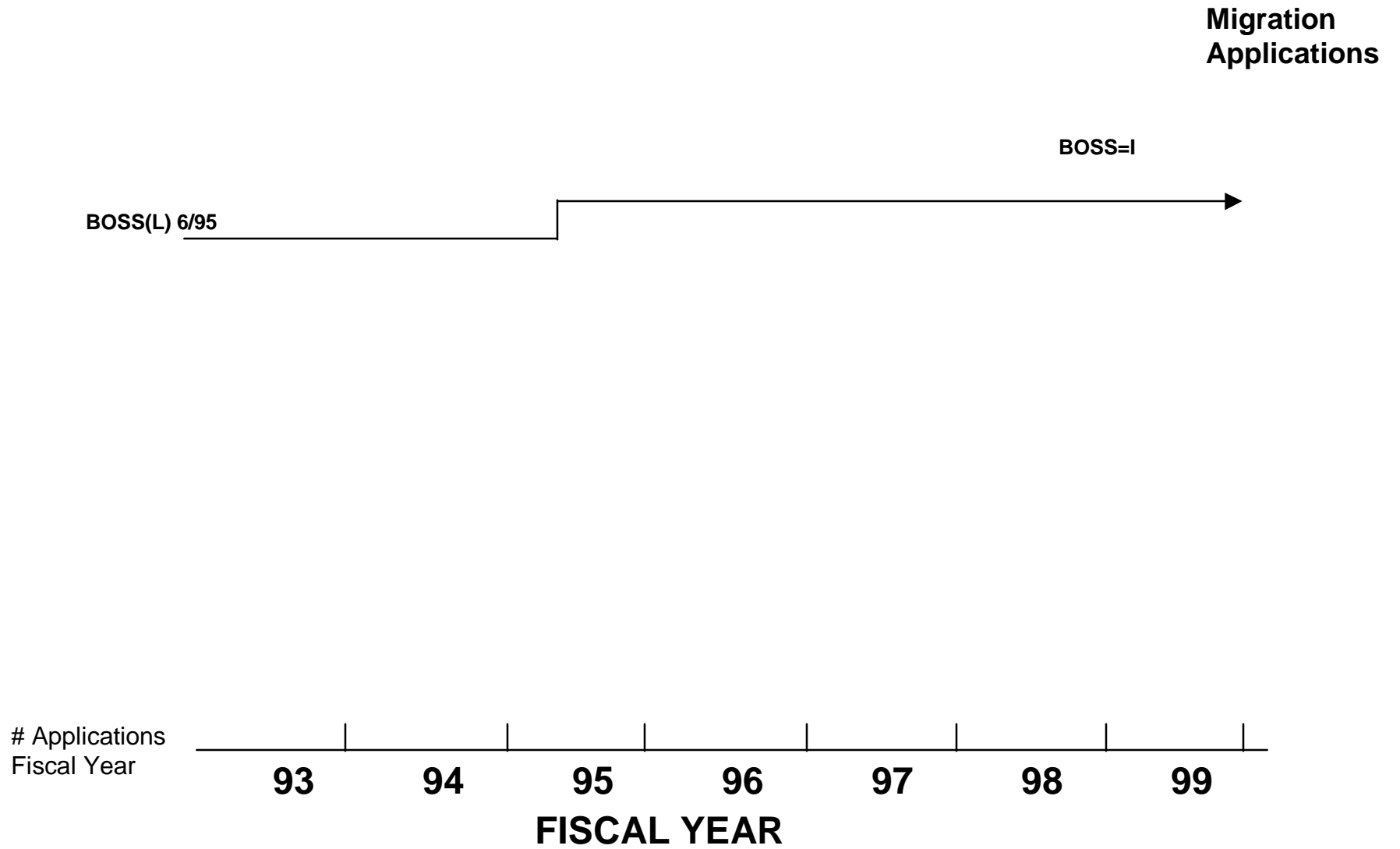
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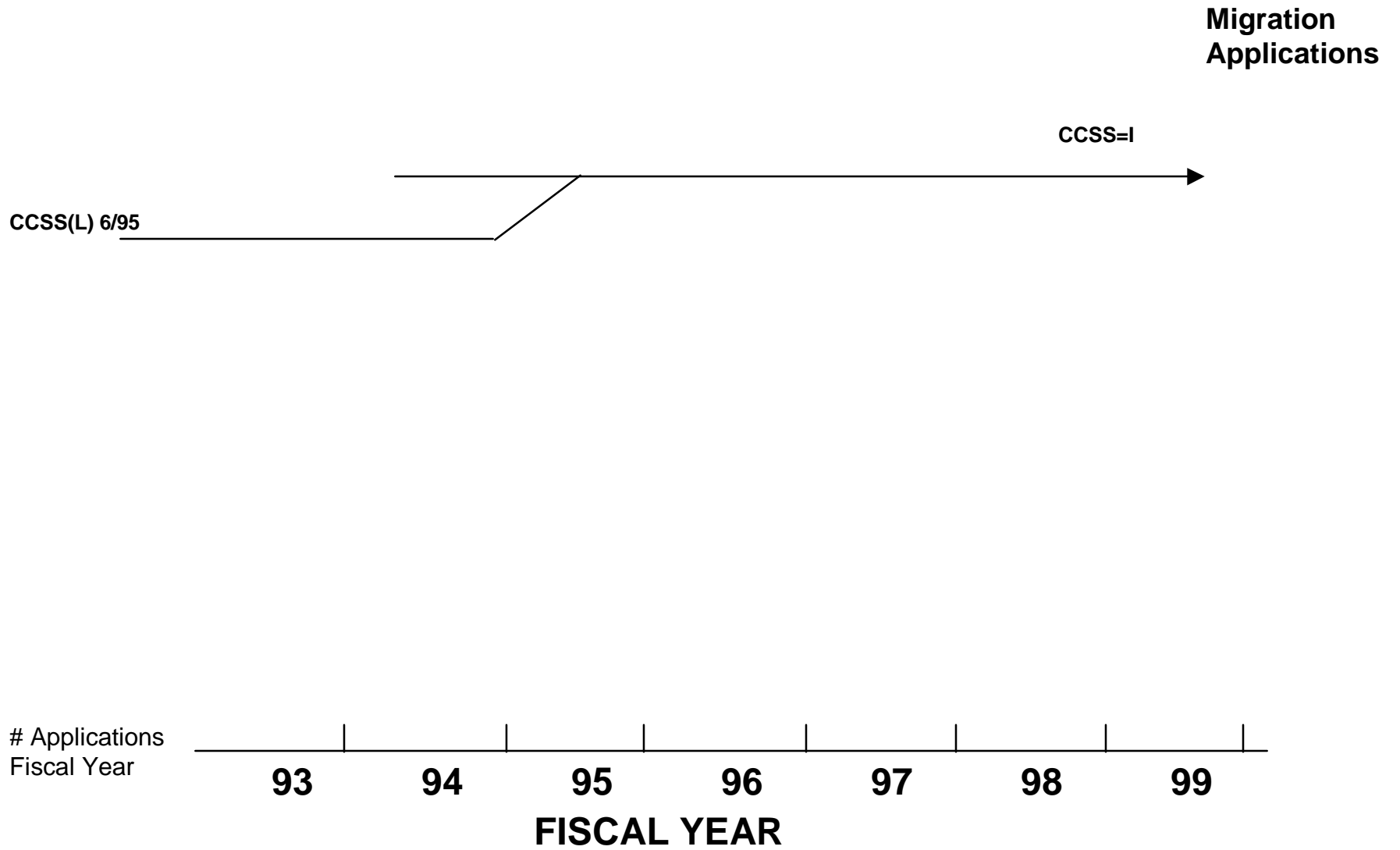
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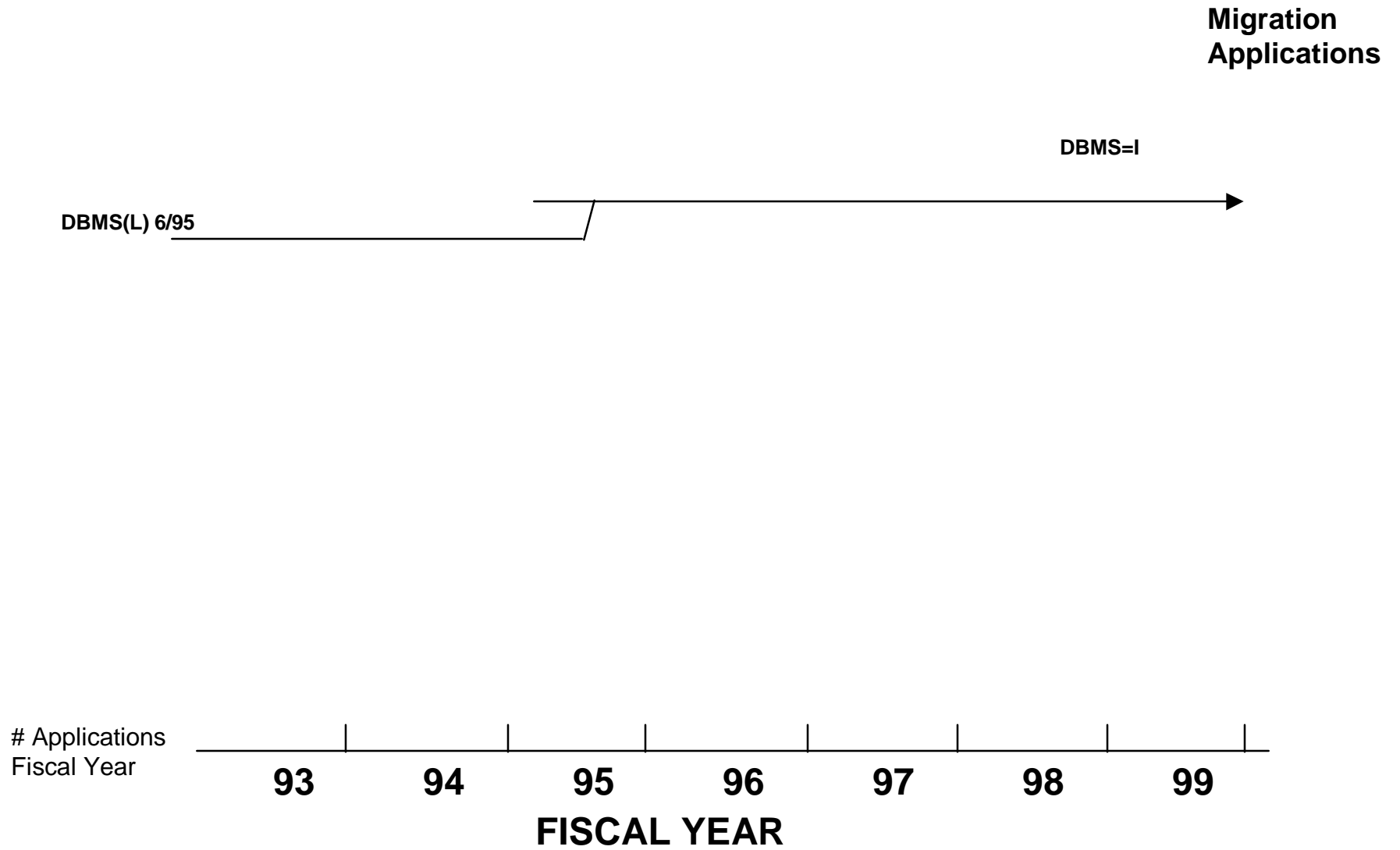
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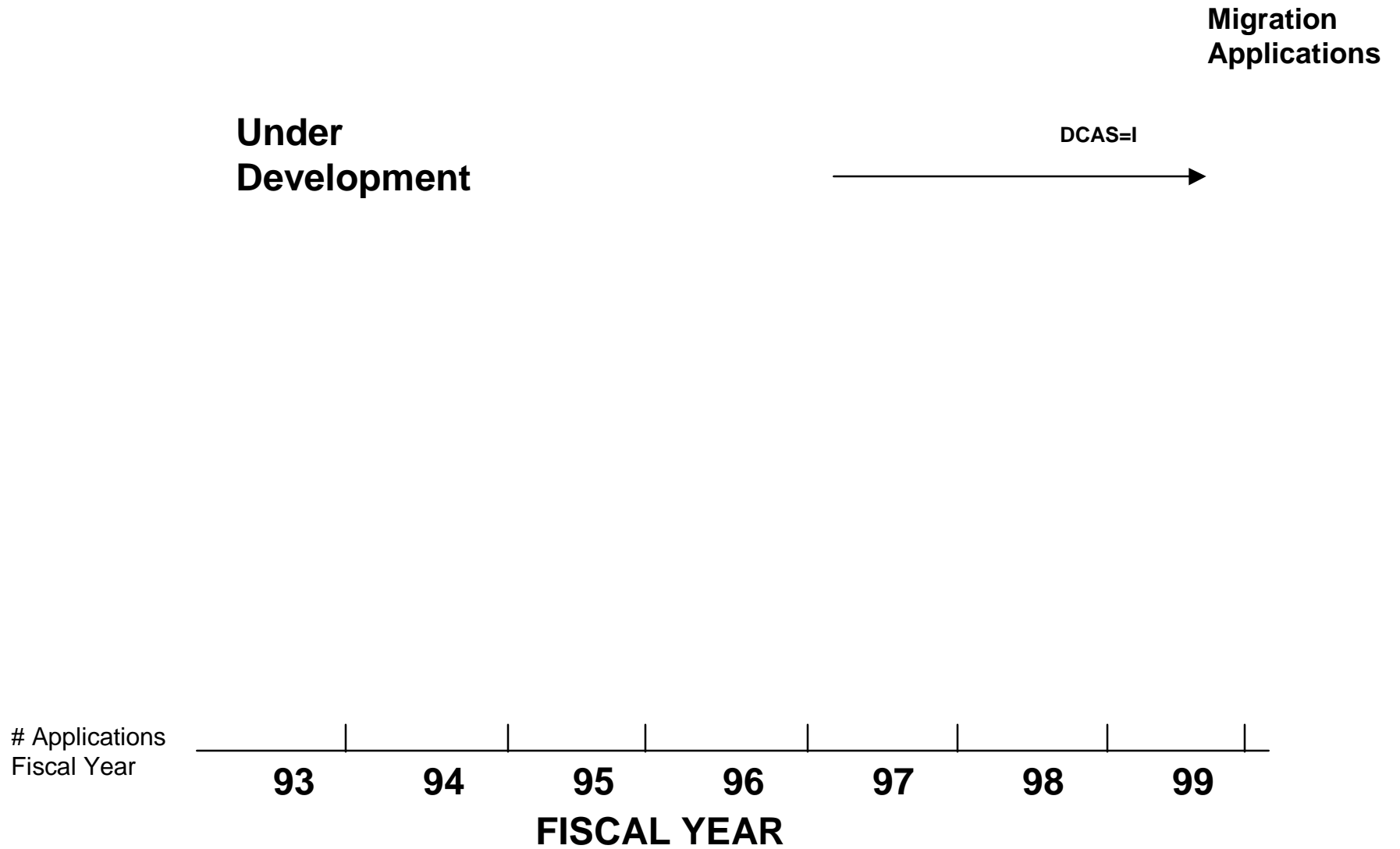
FISCAL YEAR

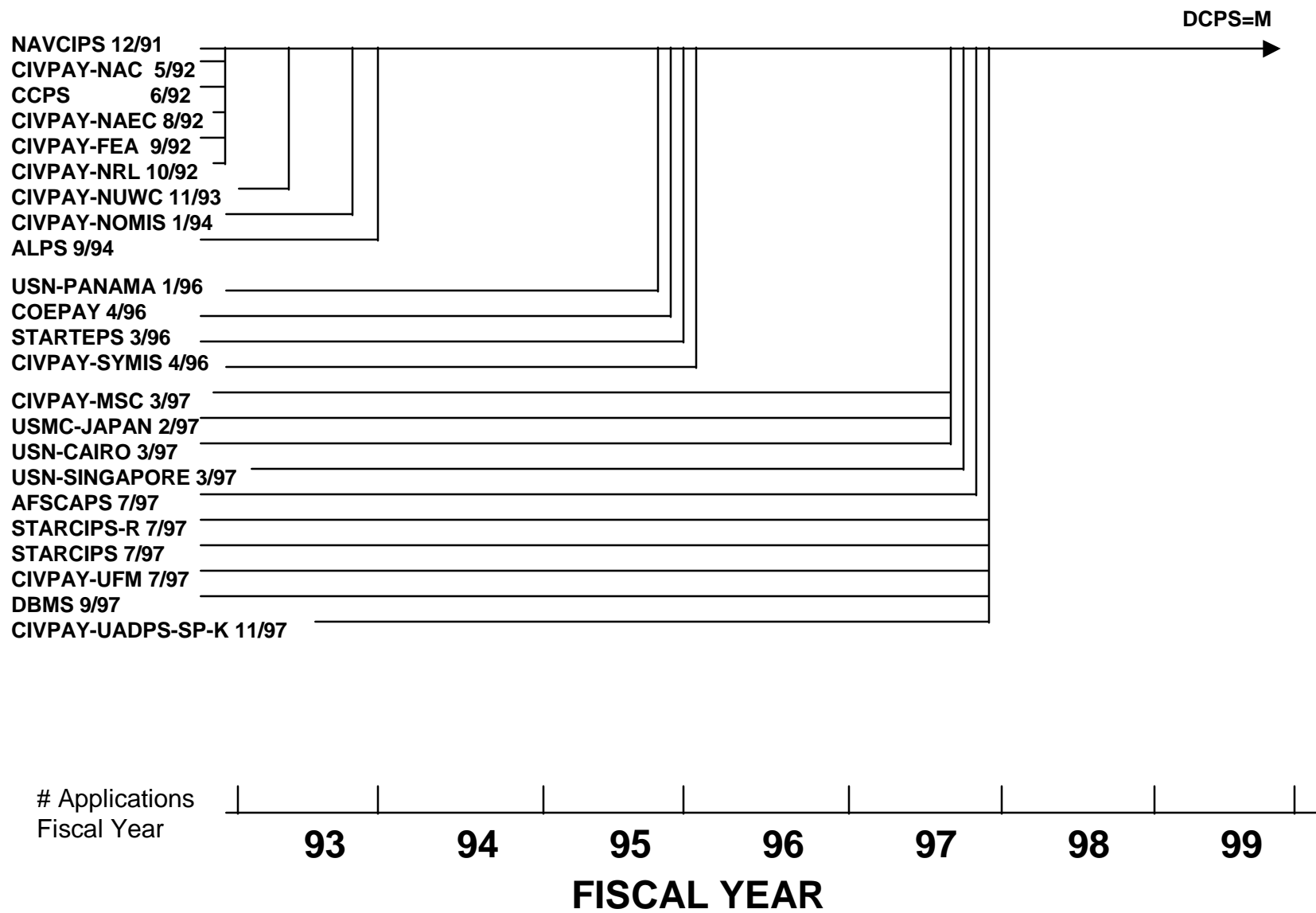




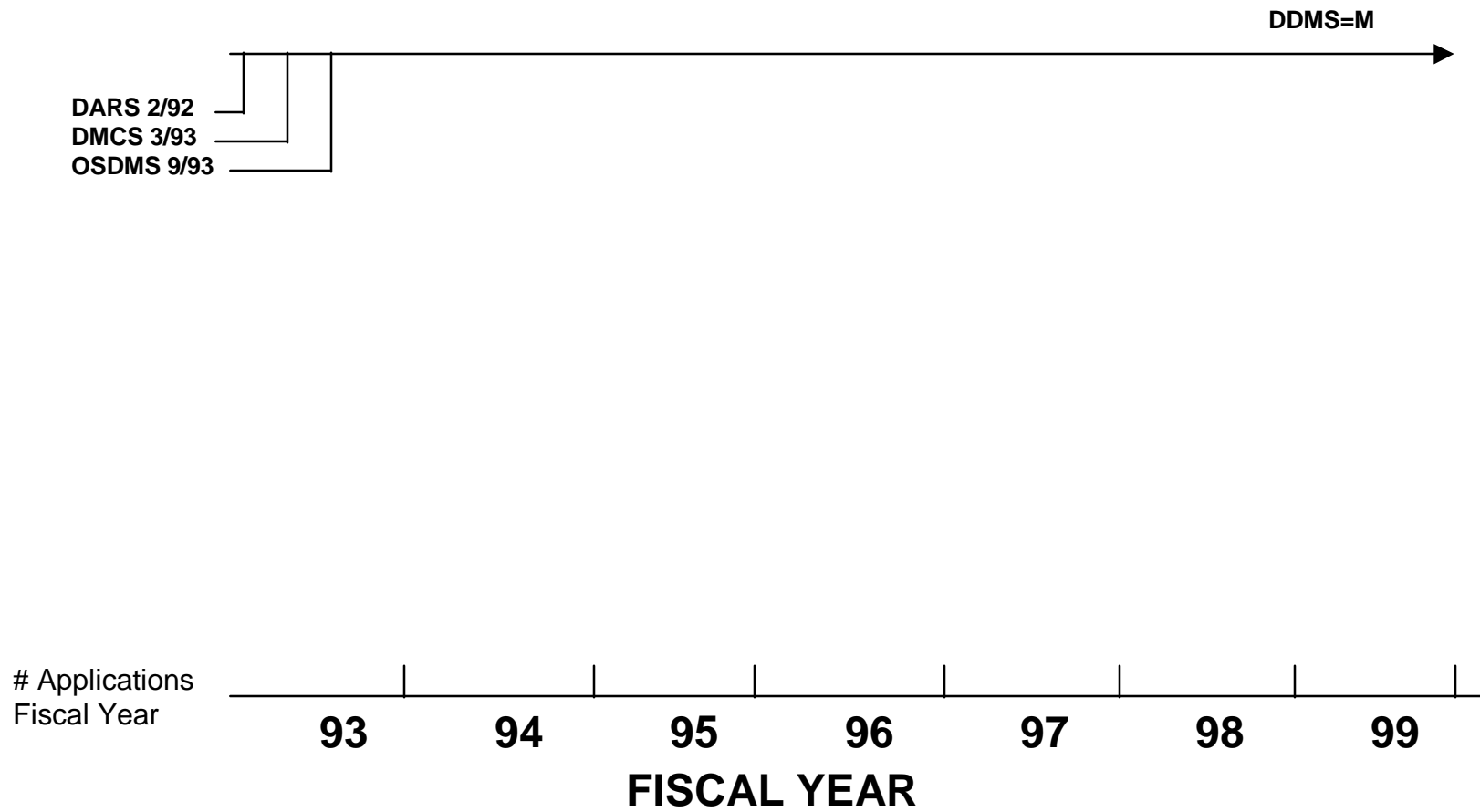




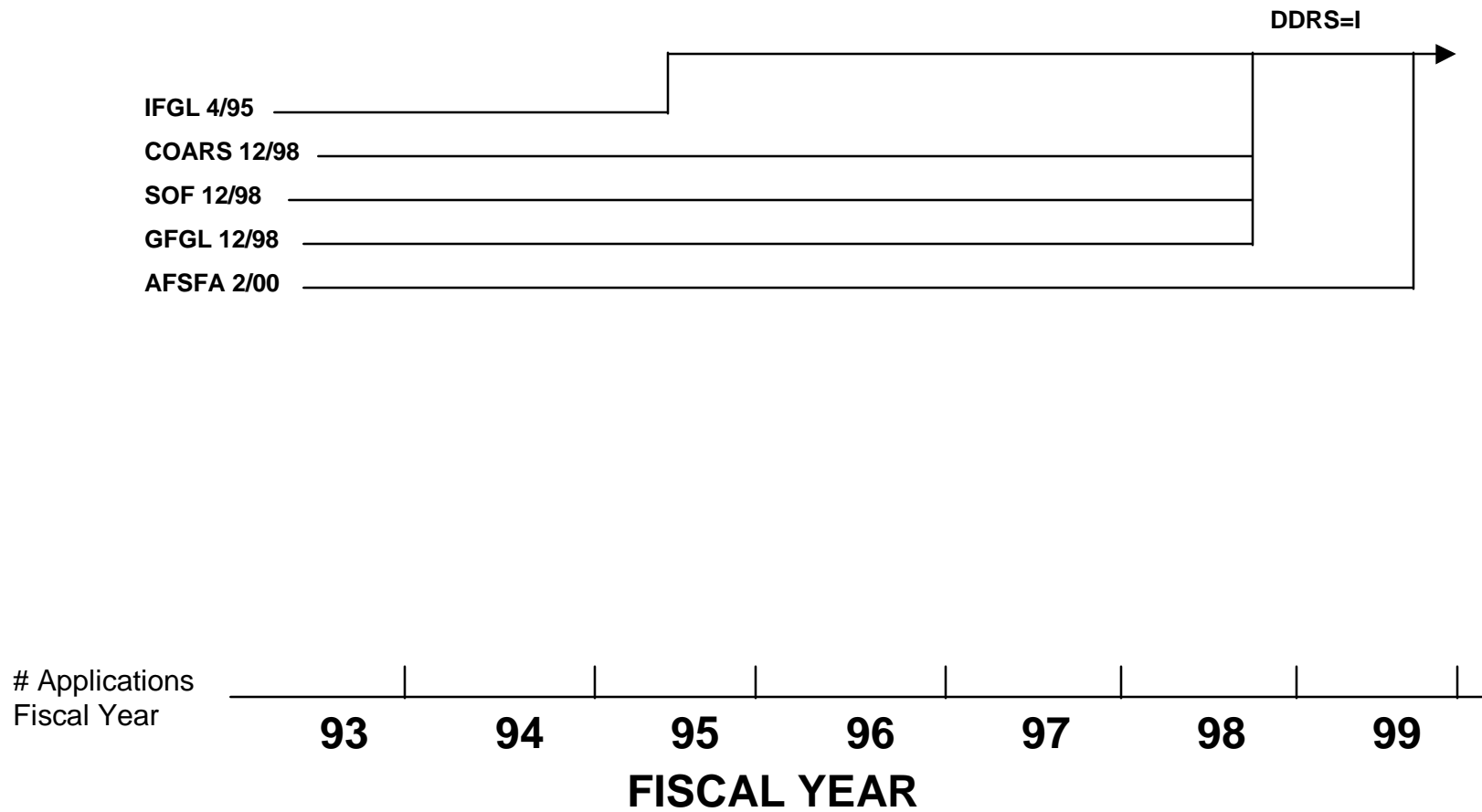


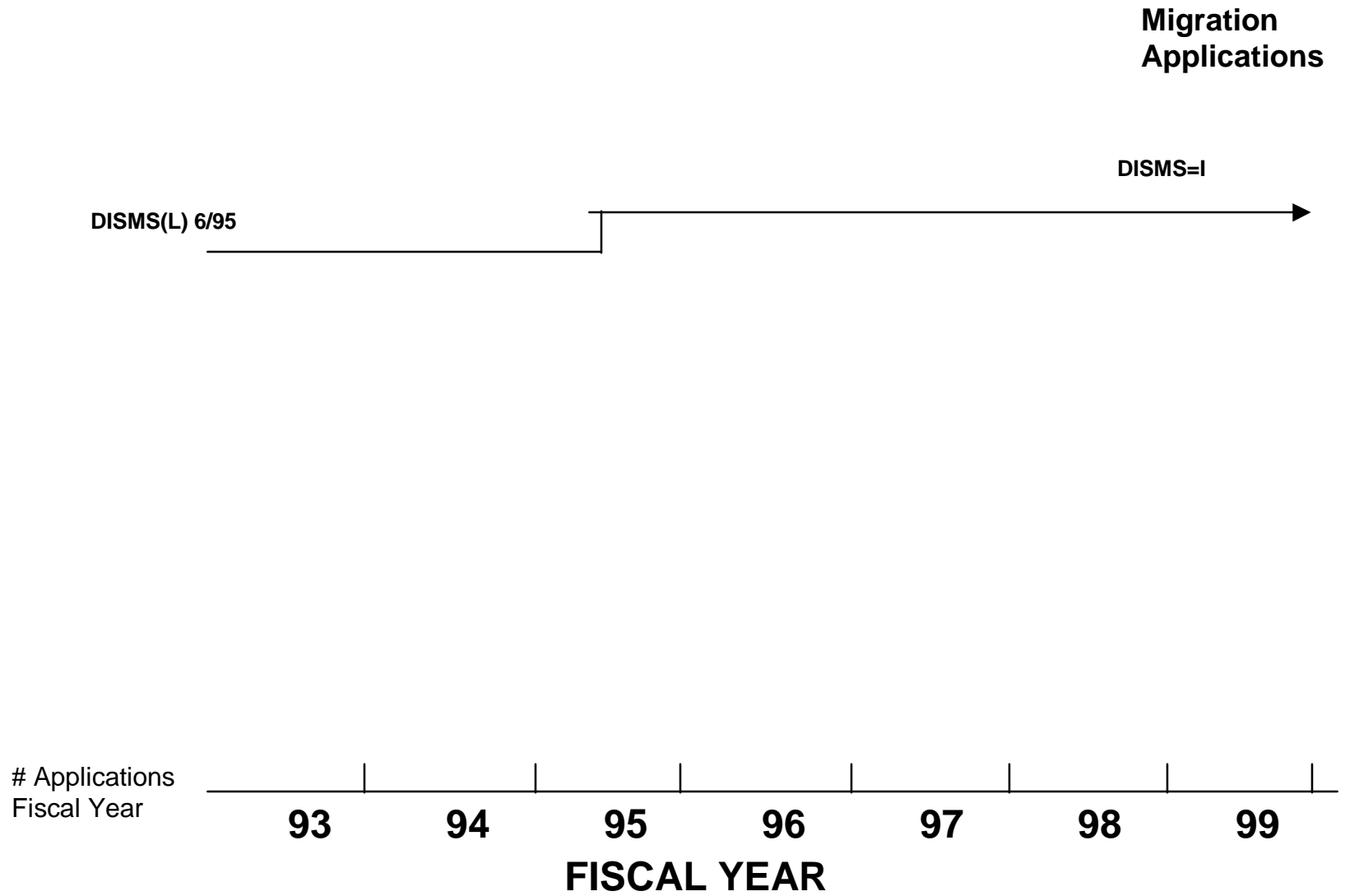


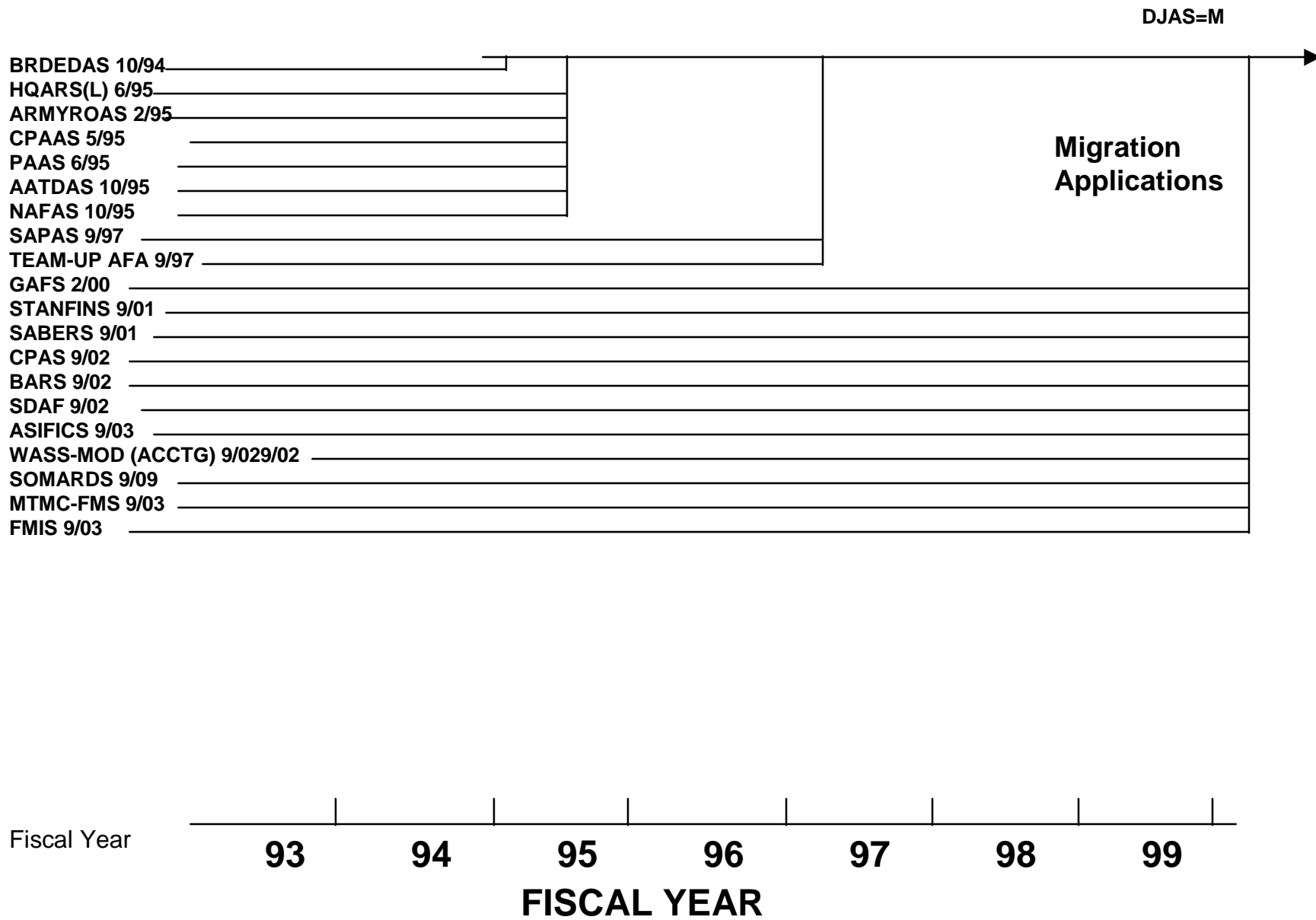
Migration Applications

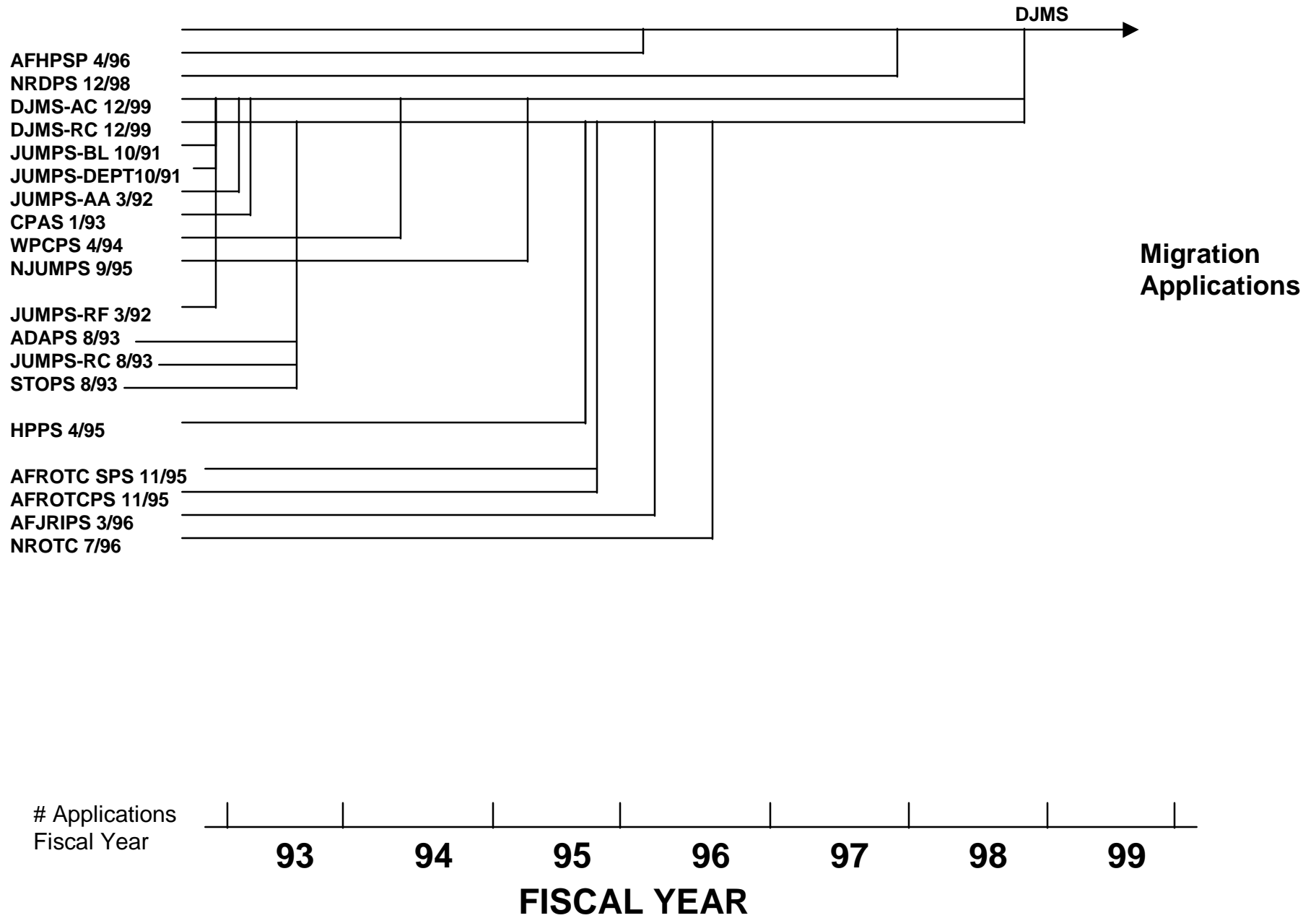


Migration Applications

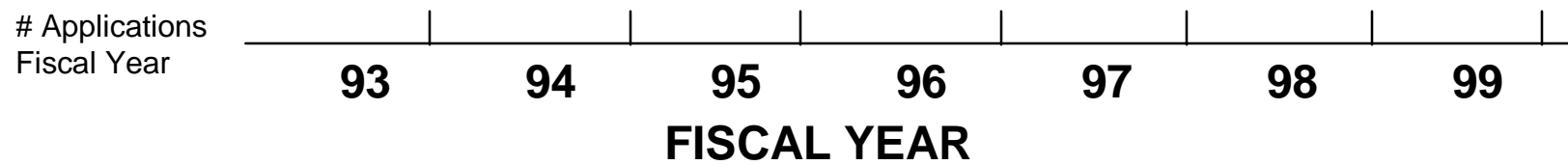








DPAS IS MAINTAINED BY OUSD(C)



DPPS

IAPS 3/00

CAPS 12/00

AVEDS 9/99

MOCAS(L) 6/99

AMIS 11/95

Migration
Applications

DISMS 5/00

SAMMS 8/00

SAVES 11/99

Applications
Fiscal Year

93

94

95

96

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98

99

FISCAL YEAR

DRAS

Migration
Applications

CAPS(PAY) 10/92

APS 5/93

NAPS 5/93

NRPS 5/93

RPPS 7/94

RPS 9/94

JUMPS-RP 12/94

Applications
Fiscal Year

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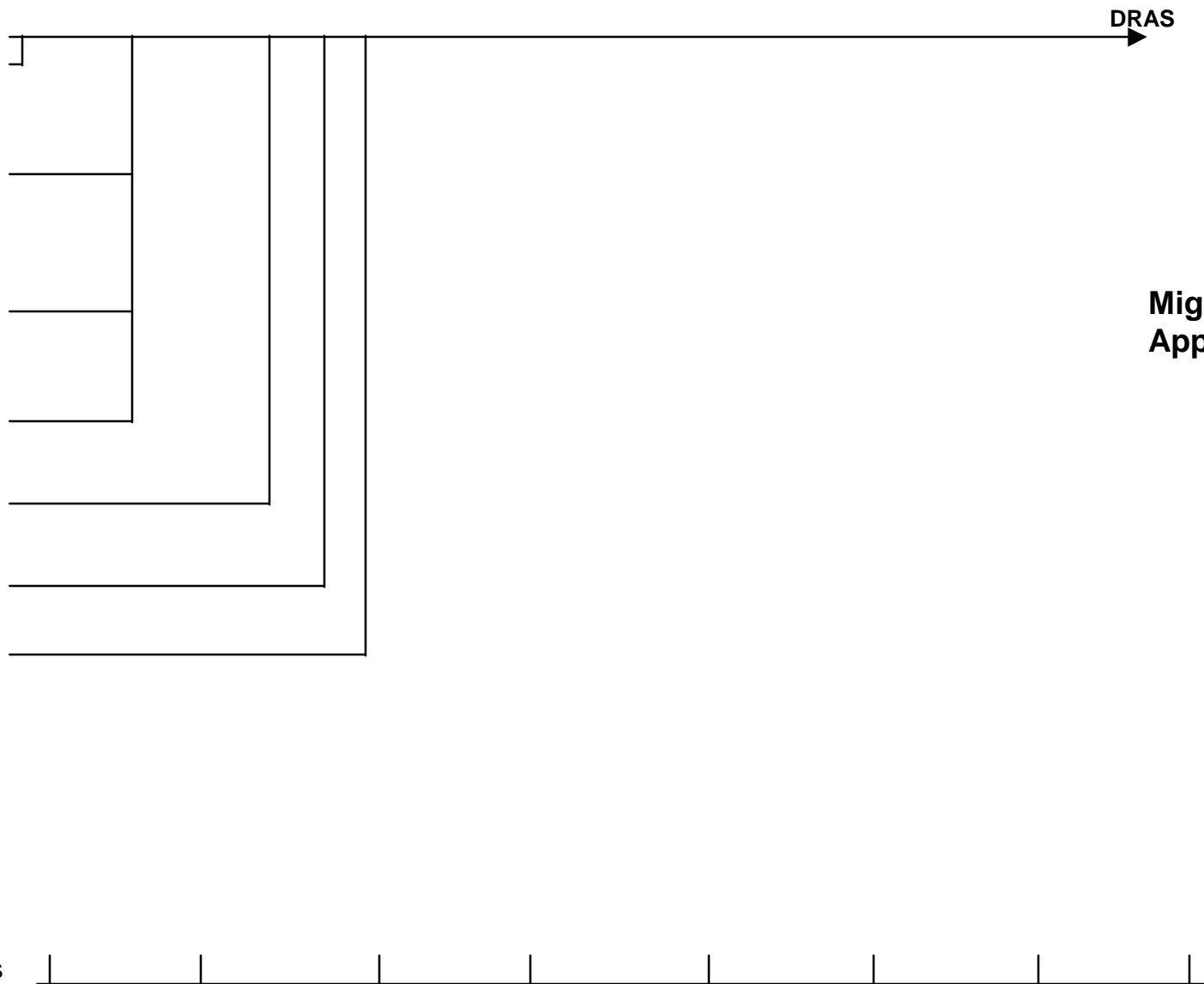
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FISCAL YEAR



Defense Standard Disbursing System



Applications
Fiscal Year

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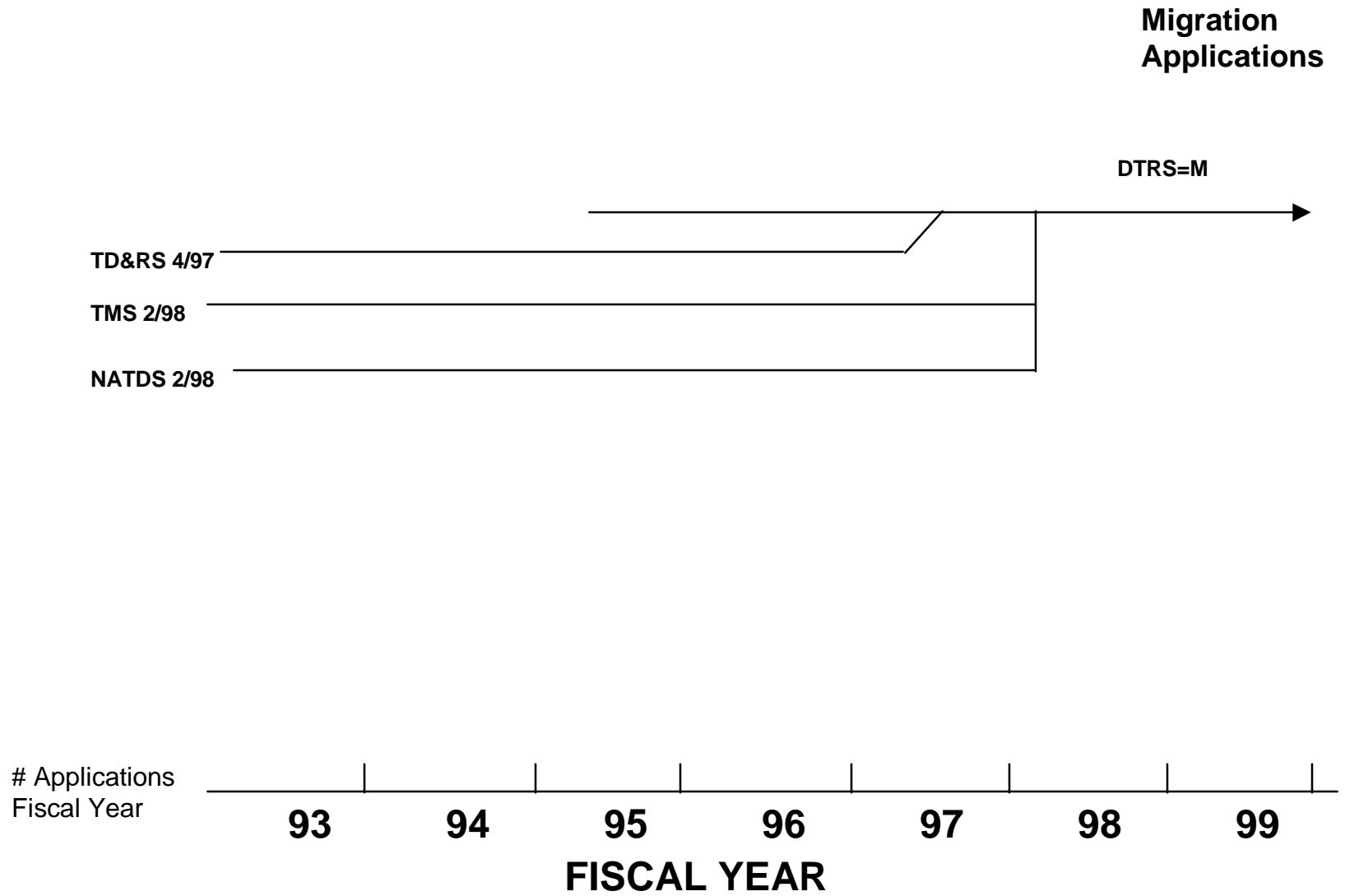
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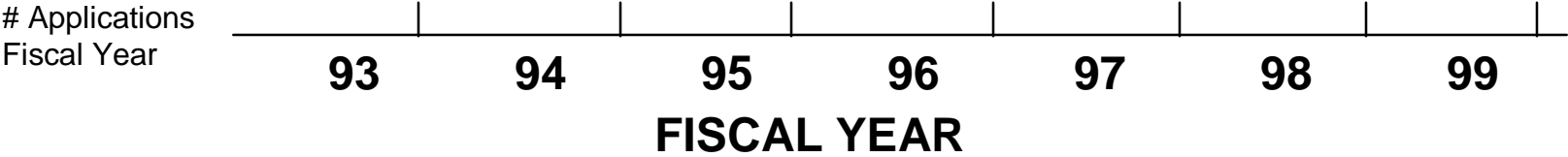
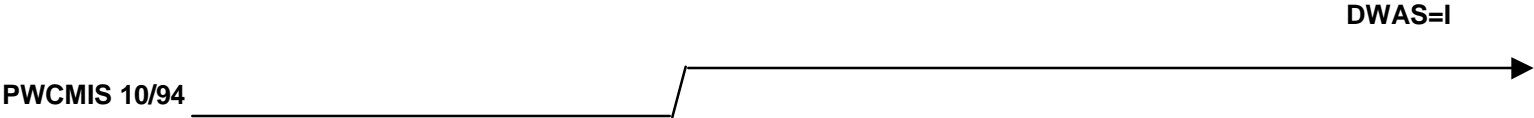
FISCAL YEAR



Current as of
April 22, 1997

Defense Working Capital Fund (Commercial Off-the-Shelf Software)

Migration
Applications



Migration Applications

FAS=I

DFAMS=I 1/10

Applications
Fiscal Year

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94

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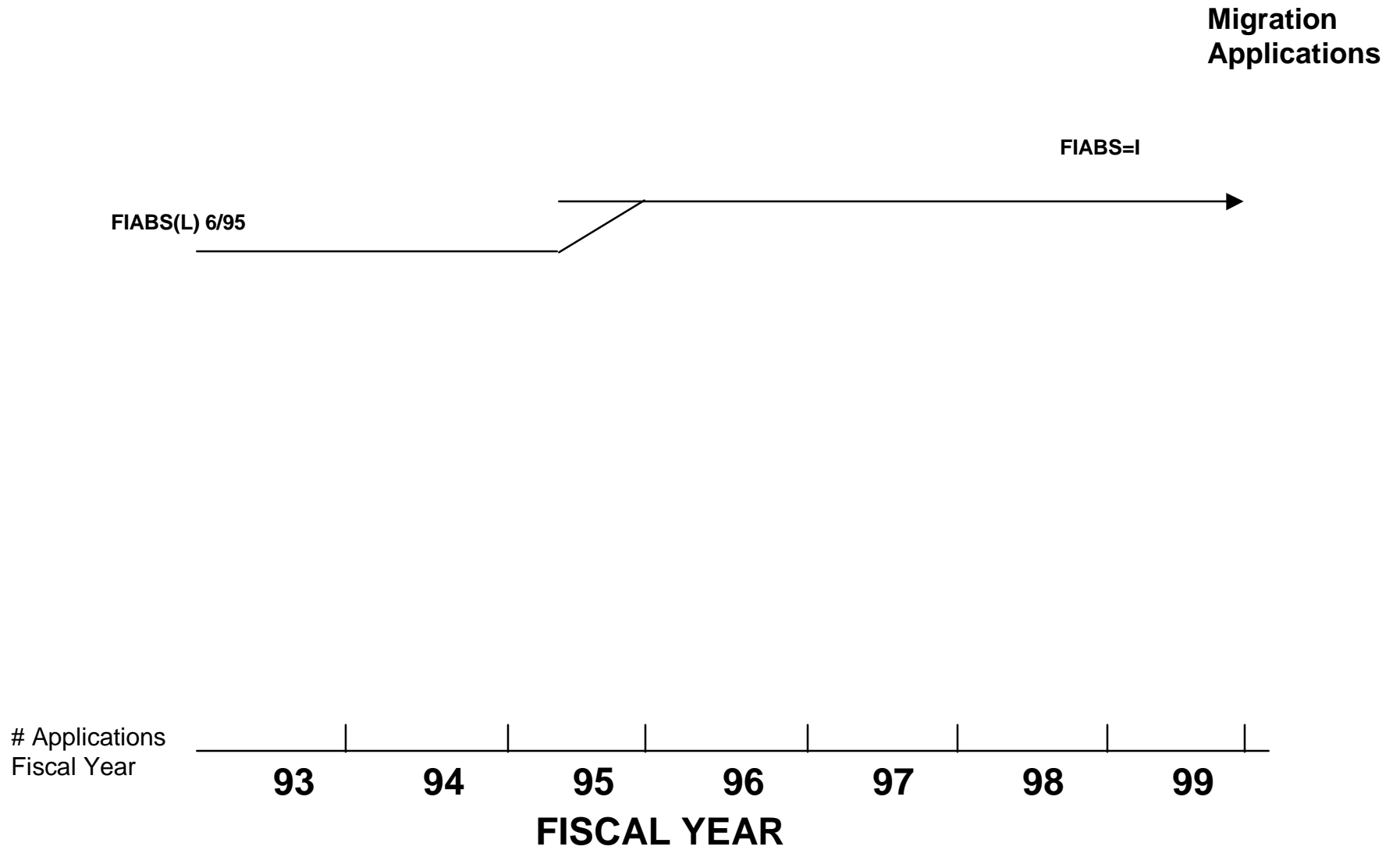
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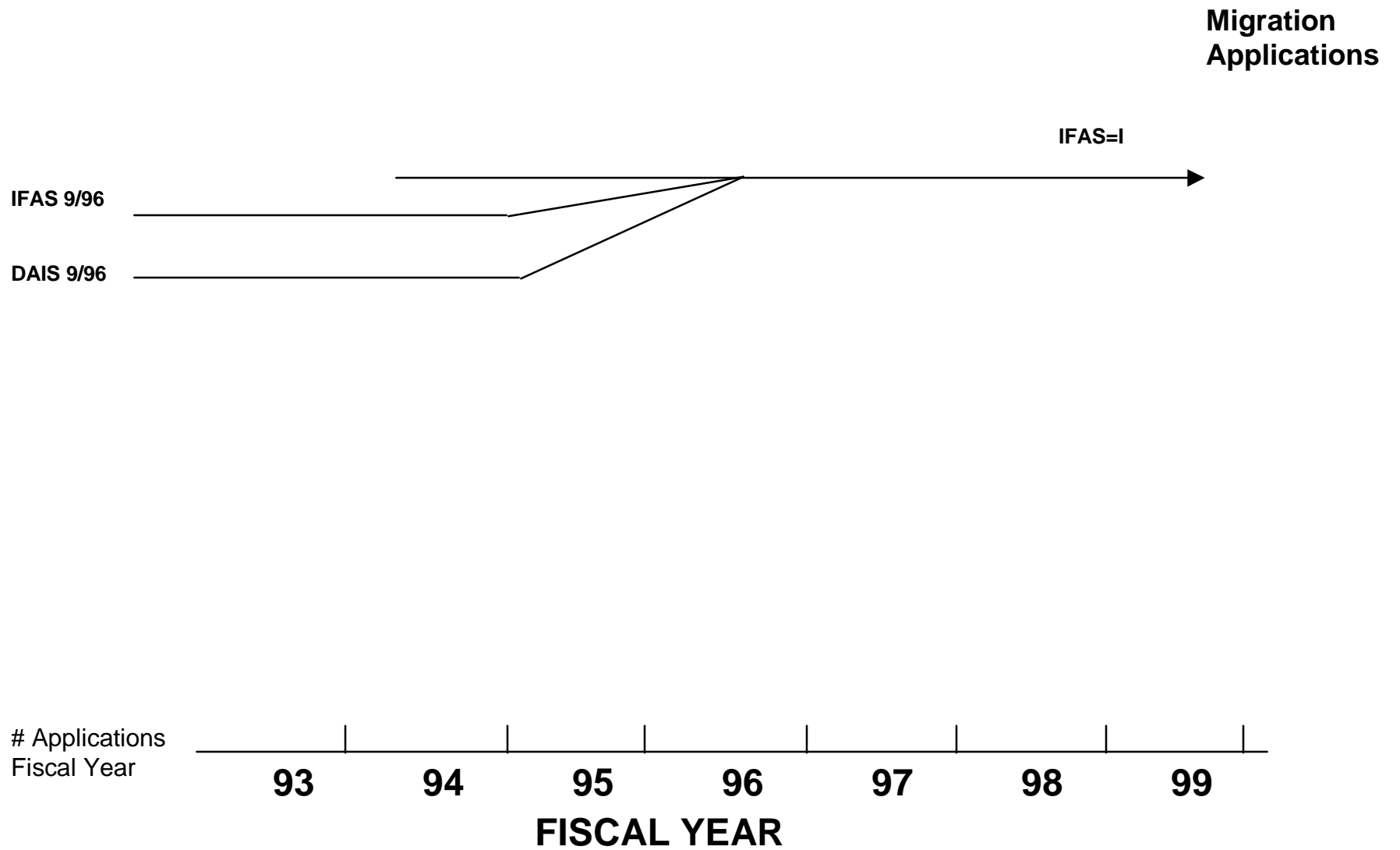
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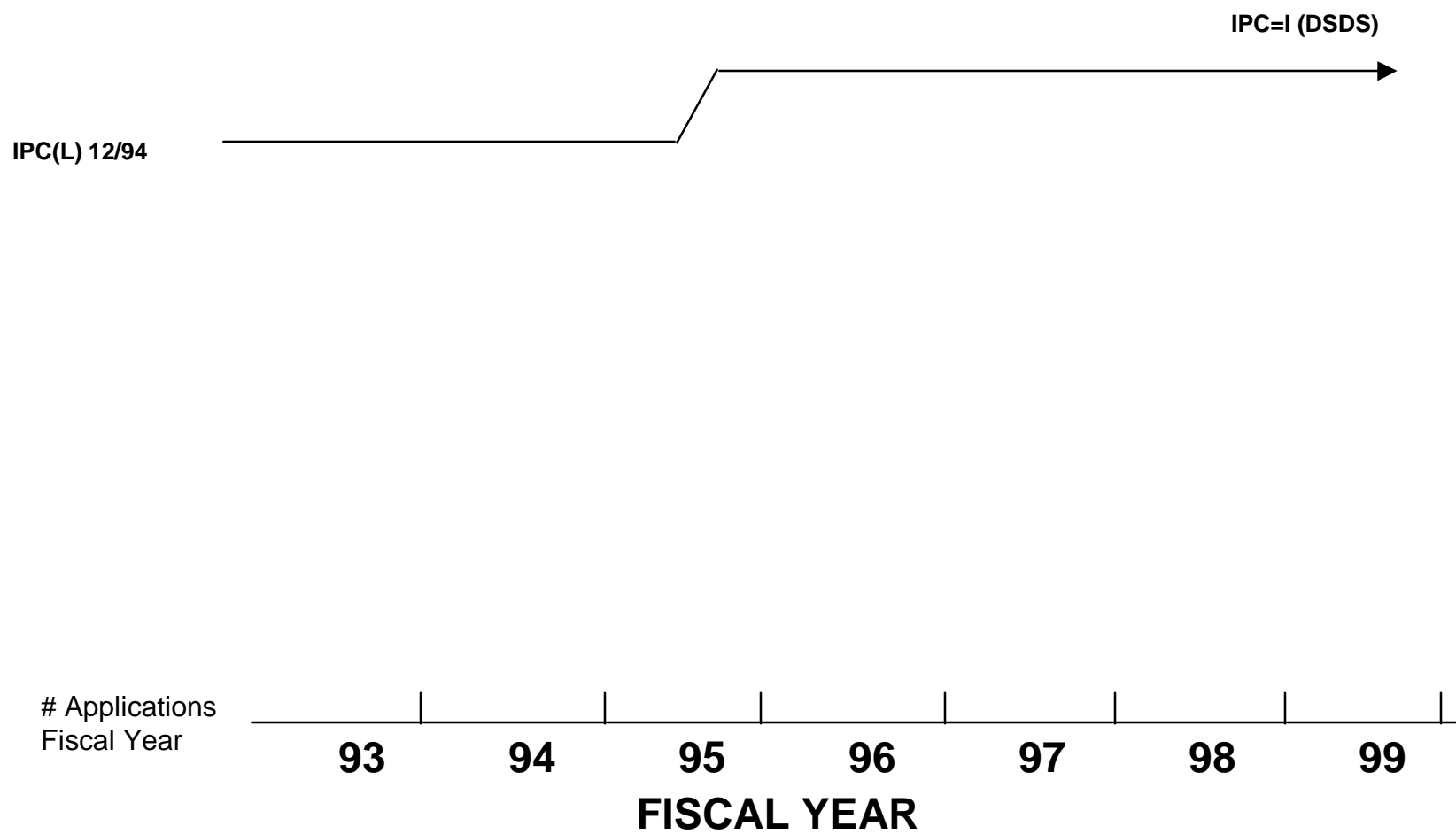
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FISCAL YEAR

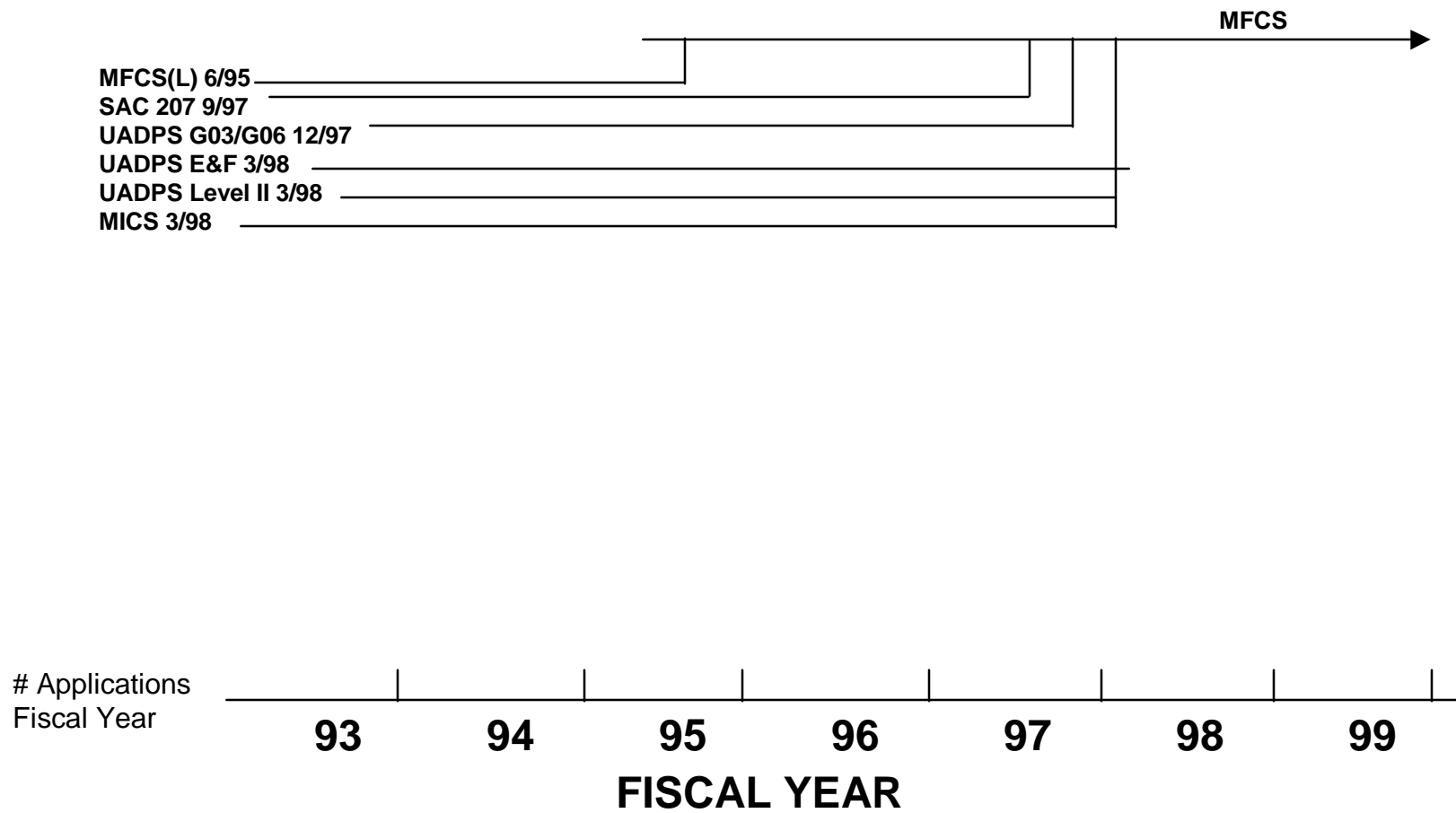




Migration Applications

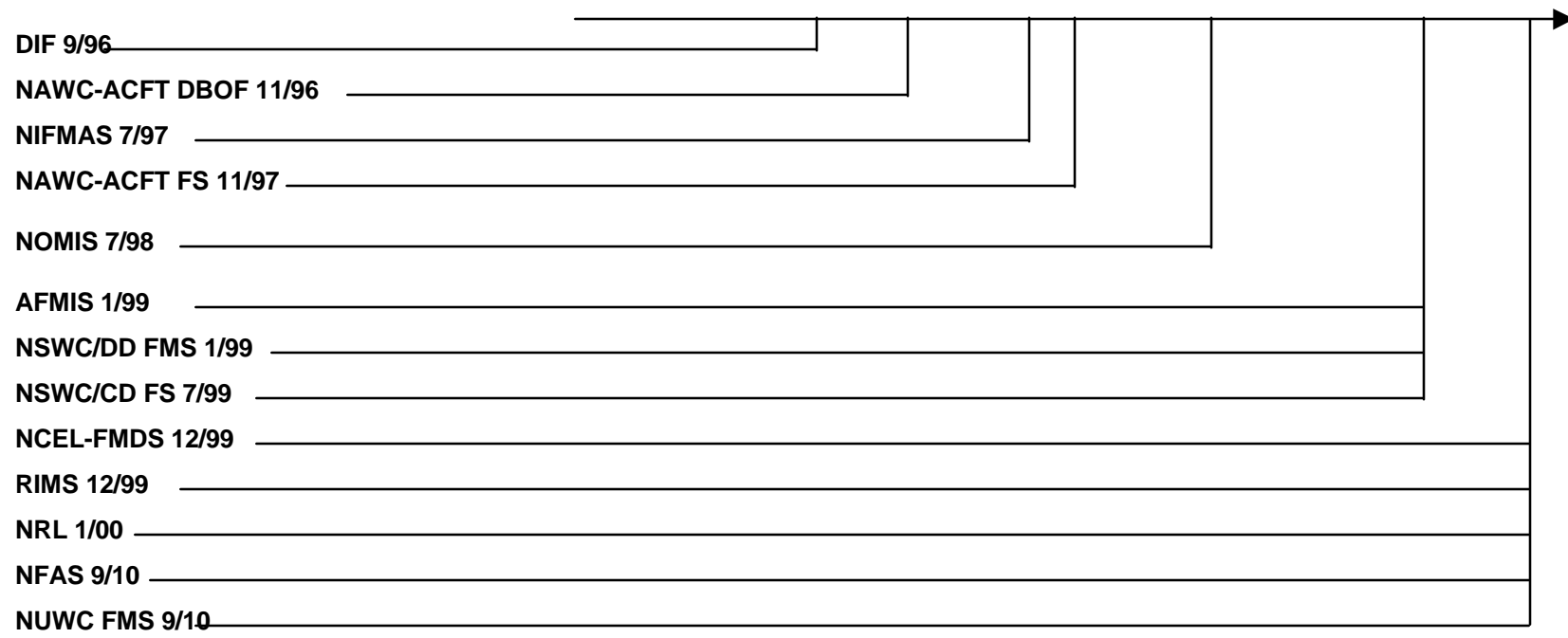


Migration Applications



Migration Applications

NIFMS=I



Applications
Fiscal Year

93

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95

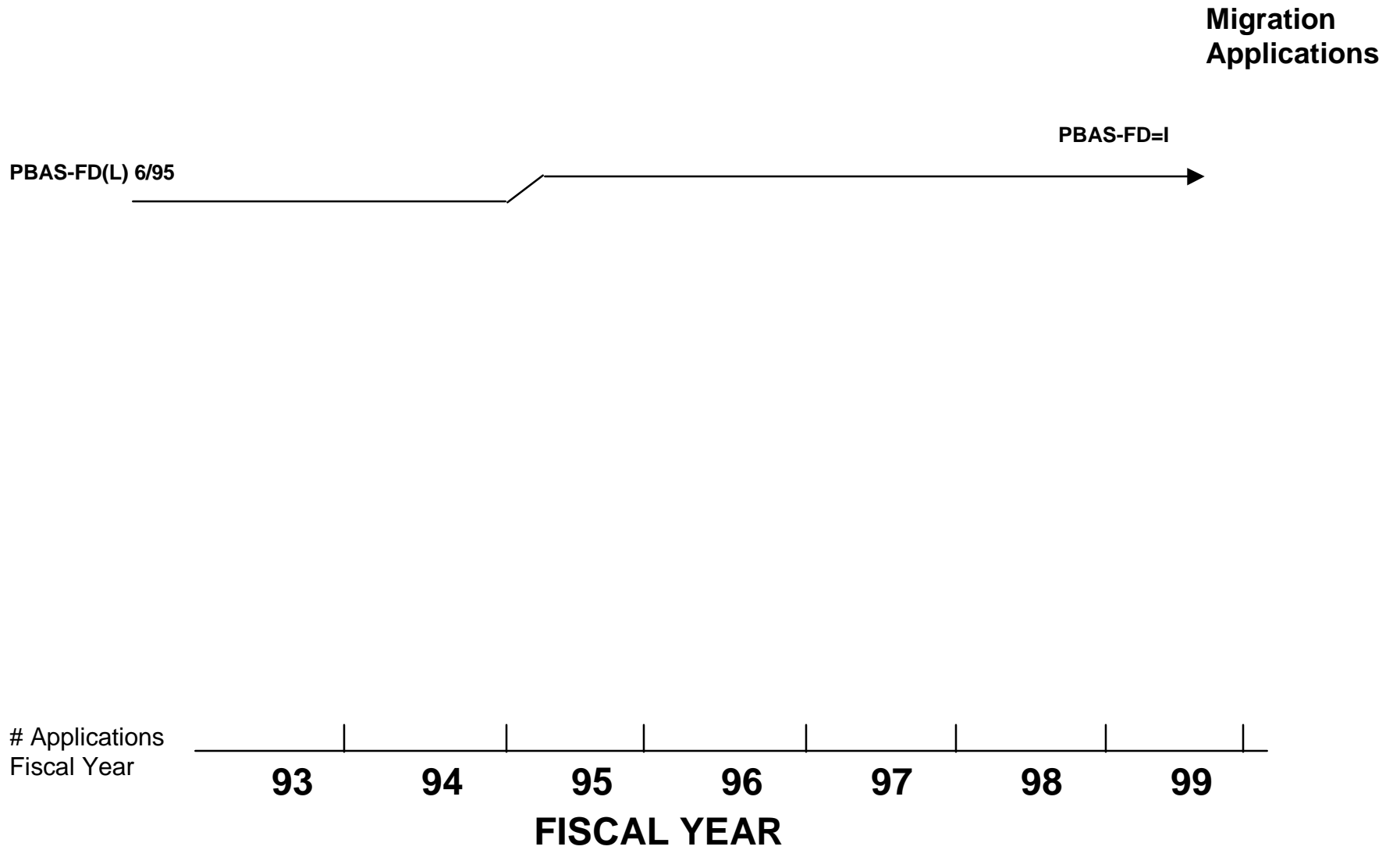
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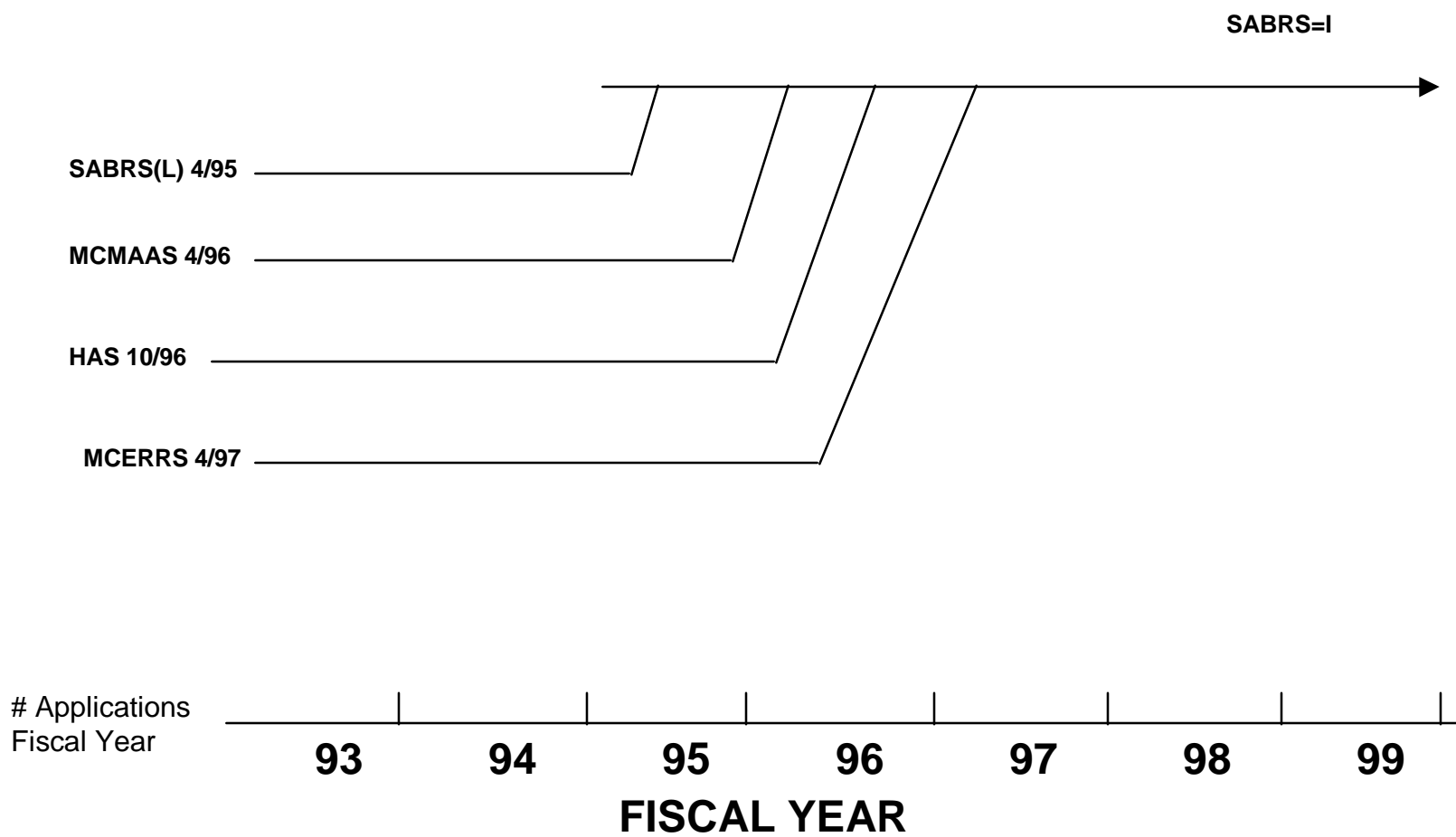
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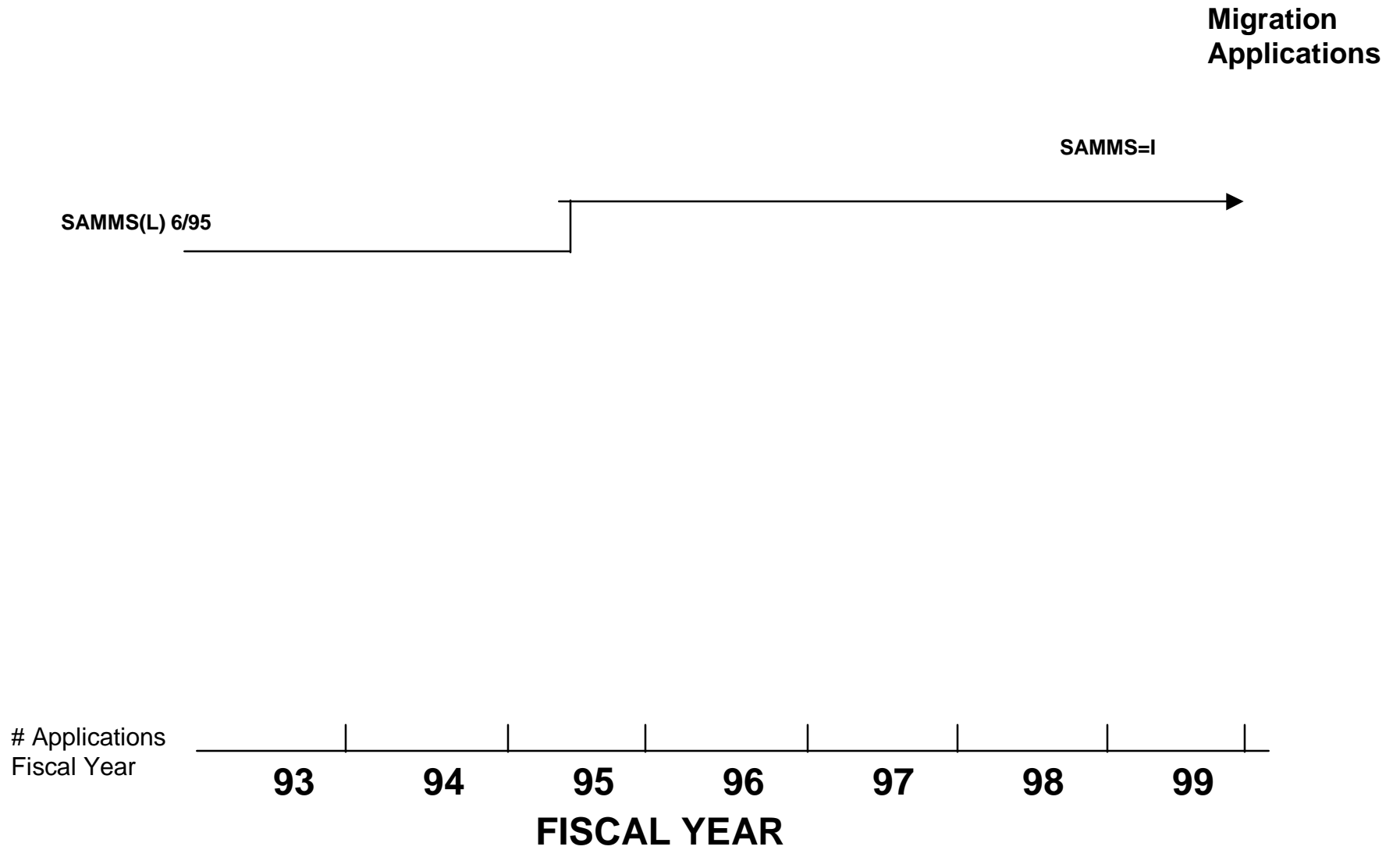
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FISCAL YEAR



Migration Applications





Migration Applications

SIFS=I

RIABOAS 6/96

PBADOAF 11/96

WABOAS 4/97

Applications
Fiscal Year

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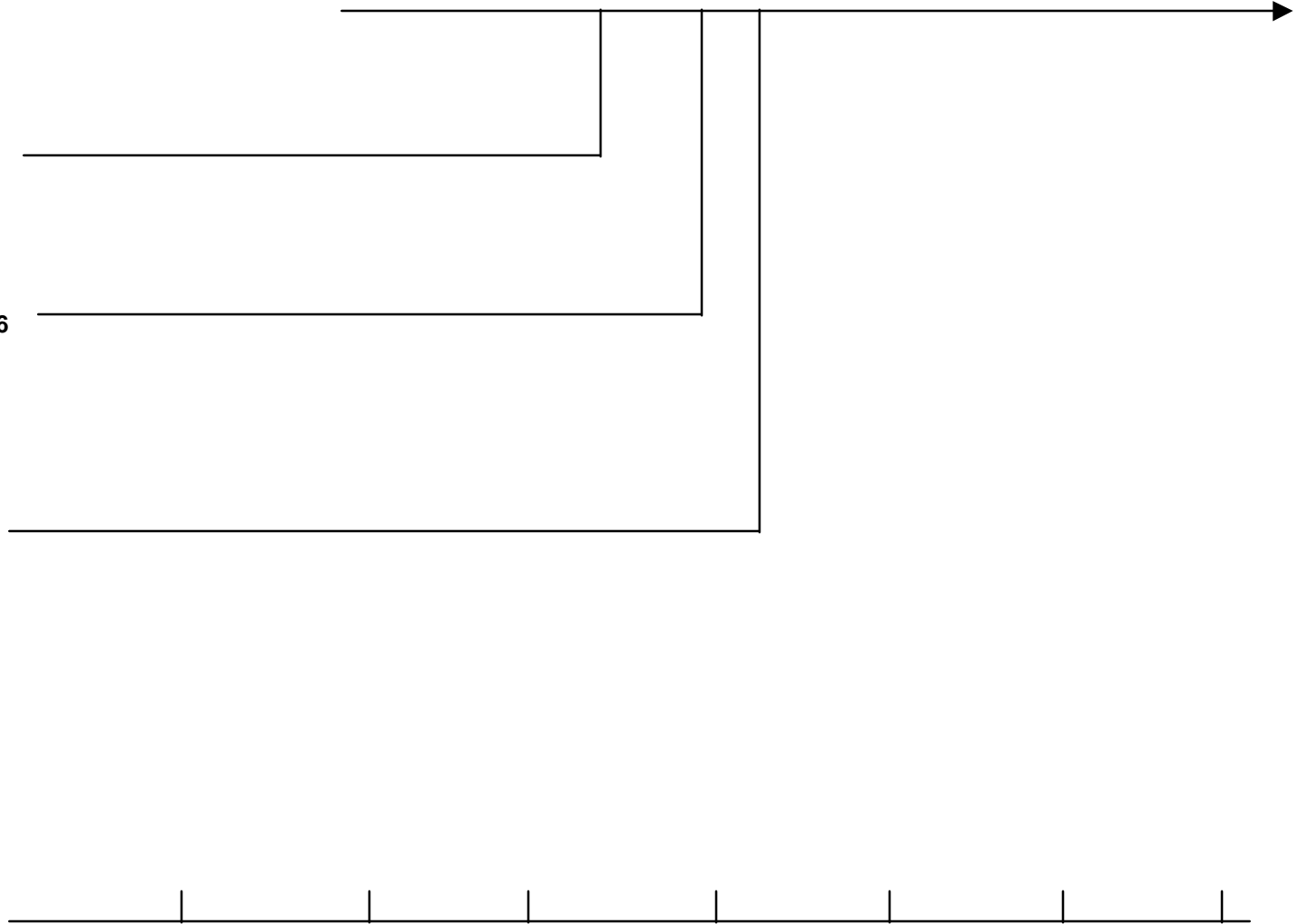
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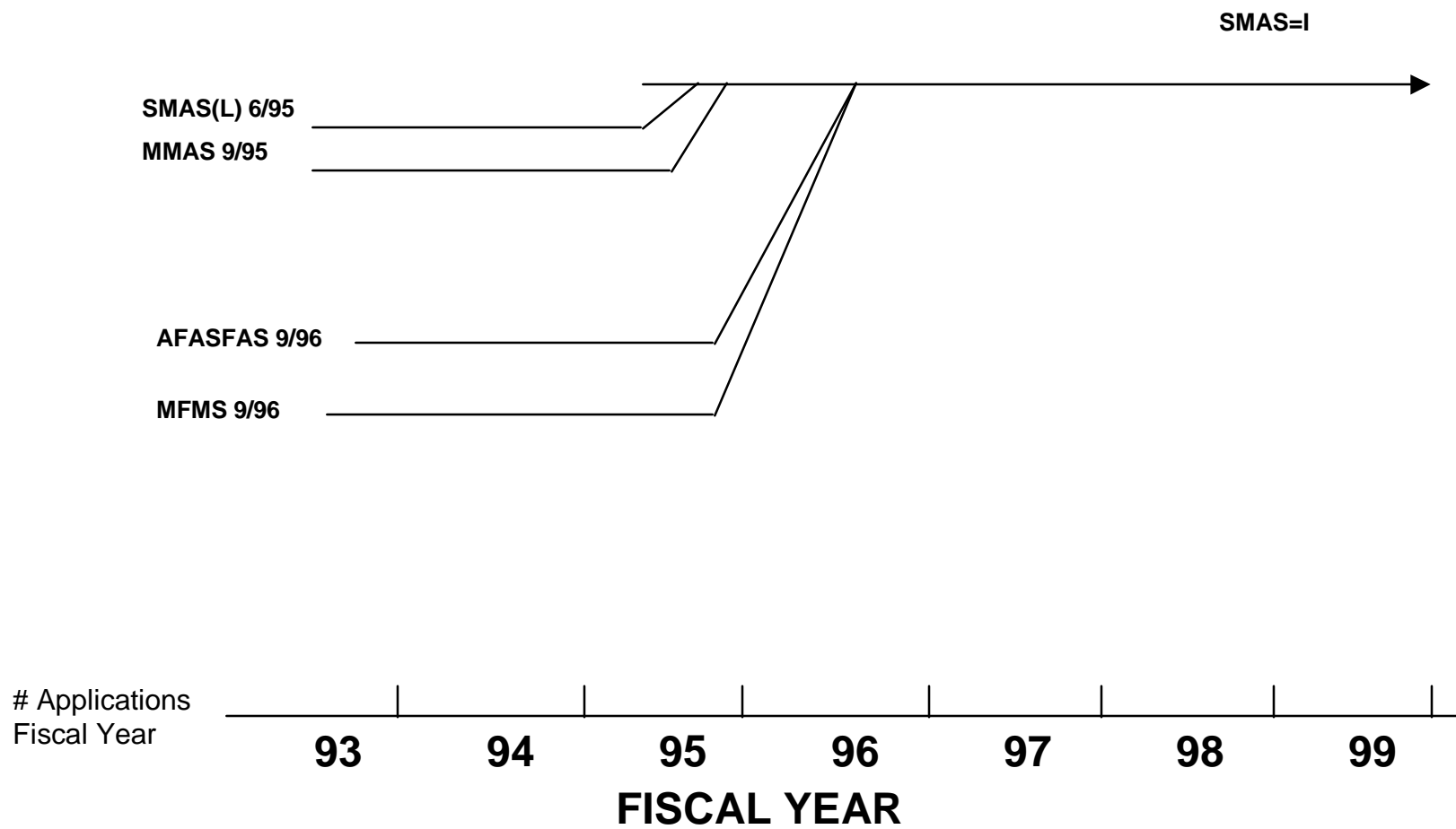
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FISCAL YEAR



Migration Applications



SRD-I=I

SRD-I(L) 12/94

CRISPS 6/96

SNIPS 6/96

AFES 9/97

AVEDS 12/99

DISMS(L) 12/00

SAMMS(L) 12/00

MOCAS(L) 12/00

Migration
Applications

Applications
Fiscal Year

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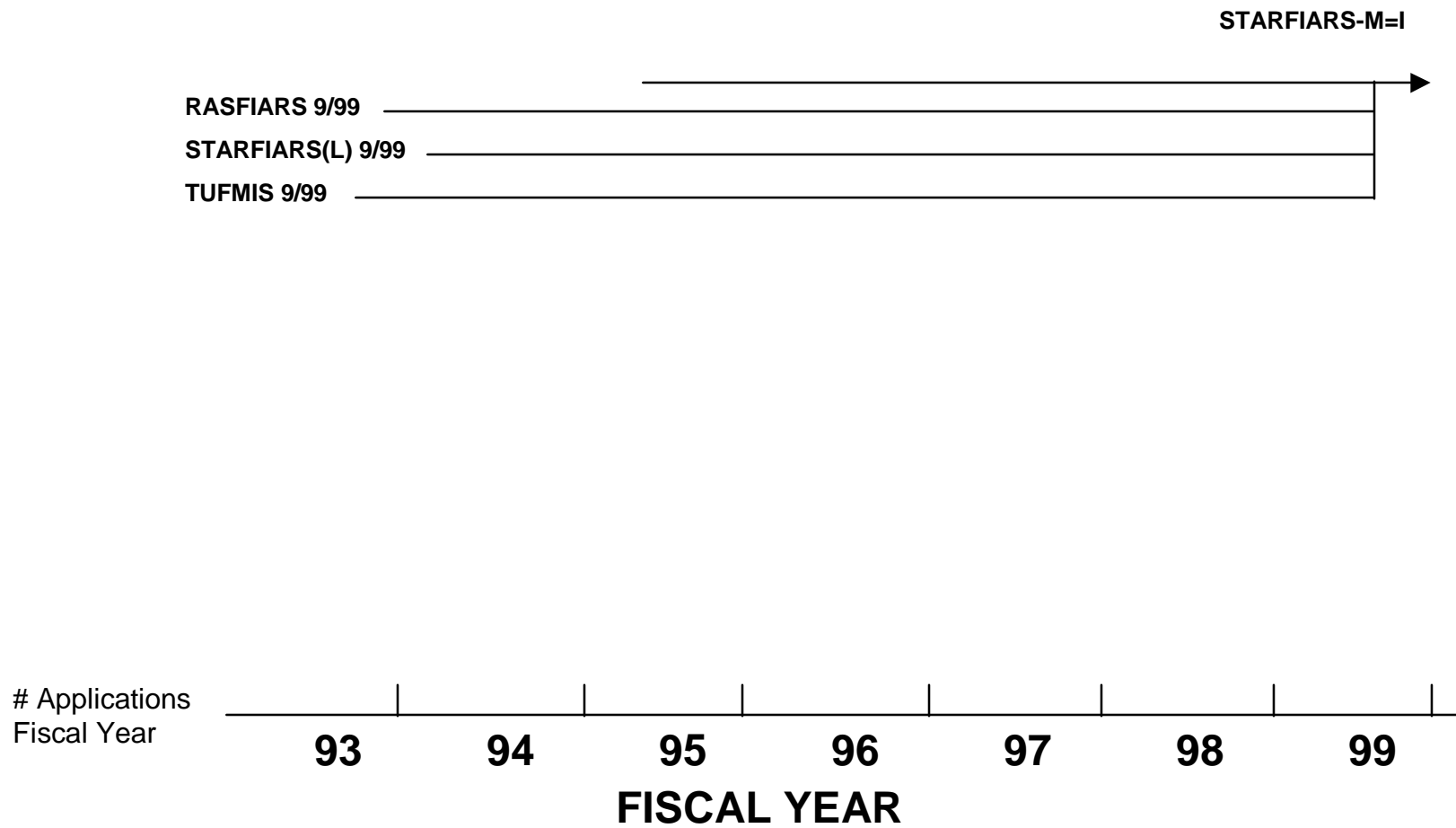
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FISCAL YEAR

Migration Applications



STARS=I

MAPAS 9/93

AMALGAMAN-EFD 9/95

IDAFMS 9/95

NSCAM 9/95

RESFMS 9/95

UADPS-SP-G 9/95

FASTDATA 6/96

FRAM 6/96

FINMIS 9/96

AAA-RMS 12/96

UADPS LEVEL II 1/00

MPN-FMS 12/00

NFADB 12/10

Migration
Applications

Applications
Fiscal Year

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FISCAL YEAR

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

SECTION C

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

DFAS
SECTION C-1

DFAS MIGRATION SYSTEM and COMPLIANCY STRATEGY for GENERAL FUND/ WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: General Fund /Working Capital Fund Accounting

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service (DFAS)

STRATEGY OVERVIEW: The Defense Joint Accounting System (DJAS), (formerly known as the Corps of Engineers Financial Management System (CEFMS), a Defense Accounting System (DAS) component, has been identified as the migratory general accounting system for DFAS-Indianapolis and DFAS-Denver customers and for use in the DoD Transportation Business Area and the DFAS-Denver Security Assistance Deputate. The DFAS mission area includes those financial management systems supporting installation level finance and accounting operations. Included is support for the Defense-Wide Working Capital Fund, General Accounting, and the system requirements for the DFAS-Denver Security Assistance Deputate. DJAS will be implemented to meet user and DoD requirements that are consistent with accounting and financial policy, regulatory and statutory requirements such as the Federal Managers Financial Integrity Act (FMFIA), Anti-deficiency Act, and the Chief Financial Officers (CFO) Act for general funds and Defense-Wide Working Capital Fund accounting, as interpreted and directed by DFAS. DJAS will replace a suite of accounting systems in seven customer base areas under an incremental approach to deployment. The core financial system will include the following: Funds Control, General Ledger, Accounts Receivable, Accounts Payable, Financial Reports, Cost Management, and Core Financial Systems Management.

NAME OF RESPONSIBLE PROGRAM MANAGER: Ms. Lydia Moschkin, Acting Program Manager, Defense Accounting System (DAS), (DFAS-HQ/DDP), (703) 607-2657.

NAME OF DFAS FUNCTIONAL AREA MANAGER: Mr. Charlie Glenn, DJAS Project Manger, (DFAS-HQ/DDP), (703) 604-2255.

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Current system departures in the following areas: General Ledger Control and Reporting, Property Accounting, Accounts Receivable, Cost Accounting, Accrual Accounting, System Controls, Audit Trails, System Documentation, System Operations, Accounts Payable, Budgetary Accounting, and User Information Needs, impedes achieving reliable CFO Financial Statements.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, Financial Statement Audits, and Management Control Reviews.

CORRECTIVE ACTION(S) FOR DEPARTURE(S): Deficiencies of current systems used to support the DJAS customer base will be corrected upon implementation of DJAS.

SUMMARY OF PLANNED CORRECTIVE ACTION(S): The Defense Finance and Accounting Service (DFAS) - Headquarters (HQ) plans to support the finance and accounting mission

requirements for the DFAS-Indianapolis and DFAS-Denver customer base with the implementation of a modern “state of the art” system. Past studies and initial evaluations have indicated that a Government Off-The-Shelf (GOTS) system (DJAS) is a prime candidate to replace the archaic systems currently supporting finance and accounting requirements for DFAS-Indianapolis and DFAS-Denver customers.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: The current accounting systems, many designed up to 30 years ago, are no longer capable of meeting current operational needs and have not kept pace with technology or functional requirements. Significant deficiencies in these systems prevent DFAS from fulfilling its accounting and finance mission. DJAS will correct the following deficiencies:

1. Inability to produce auditable financial statements.
2. Lack of transaction-based general ledger control.
3. Non-standard General Ledger Chart of Accounts.
4. Lack of automated audit trails.
5. Non-compliance with GAO, JFMIP, OMB mandates, and the CFO Act of 1990.
6. Lack of integrated, accurate, accessible, relevant and near-real time financial data.
7. Non-standard data elements.
8. Lack of system documentation.
9. Inflexibility for incorporating new requirements in support of changing business needs.
10. Inability to provide real-time funds control.
11. Inability to establish and maintain accounts at a detail level low enough to enable data to be readily modified, summarized, and sorted so that managers can perform such functions as Activity Based Costing (ABC).
12. Inability to permit accounting and non-accounting personnel, in the execution of their fiscal management responsibilities, to enter financial data at the source.
13. Year 2000 compliancy.
14. High maintenance cost.

Functions Performed: General ledger accounting, accounting for accounts receivable and accounts payable, property accounting, fiscal reporting, funds control. budget execution, expenditure accounting and reimbursement accounting as mandated in the Chief Financial Officers (CFO) Act of 1990 and elaborated in the Joint Financial Management Improvement Program’s (JFMIP) Core Financial System Requirements.

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 1995

Targeted Correction Date (s) in Last Year's Report: November 2000

Current Target Date (s): September 2003

Reason for Change in Date(s): This Government Off-the-Shelf (GOTS) system is being evaluated under the more stringent OSD Major Automated Information System Review Council (MAISRC) guidelines normally used for new systems development. Because this process has not been tailored to address a GOTS, a delay in meeting the initial correction date has occurred.

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Ft Gordon Test to establish baseline	3/96
DJAS Approved for DFAS-IN Customer Base & DoD Transportation Business Area	5/96
DJAS Approved for DFAS-DE Customer Base	7/96
DJAS Approved for DFAS-DE Security Assistance	8/96
Mission Needs Statement Approved	4/97
<u>Planned actions/events(short term)</u>	<u>Planned Completion Date</u>
Obtain Milestone 0 Approval	11/97
Milestone I and II approval - All Business Areas	2/98
<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Milestone III approval (Initial Site)	3/99
Special Defense Acquisition Fund (SDAF) System Terminated	4/99
DJAS replaces State Accounting and Budgeting Execution Reservation System (SABERS)	8/99
DJAS replaces Standard Operations and Maintenance Research Development System (SOMARDS)	1/00
DJAS replaces Standard Finance System (STANFINS)	1/00

DJAS replaces modules out of the following eight systems:

* Program Budget Accounting System - Order Contraol (System not included in DFAS-DE inventory)	2/00
* Washington Headquarters Service (WHS) Allotment Accounting System - Modified (WAAS-MOD), FMS Requirements	2/00
* Army Security Assistance Training Management System/Security Assistance Automated Management Support System	4/01
* Student Training and Tracking Information System (STTIS)	4/01
* Management Information System for International Logistics (MISIL)	4/01
* Cash Management Control System (CMCS)	4/01
* Centralized Integrated System for International Logistics (CISIL)	4/01
* Security Assistance Management Information System (SAMIS)	4/01
DJAS replaces Defense Integrated Financial System (DIFS) for Foreign Military Sales	4/01
DJAS replaces General Accounting and Finance System -Base Level (GAFS-BQ)	1/02
DJAS replaces Base Accounts Receivable System (BARS)	1/02
DJAS replaces Central Procurement Accounting System (CPAS)	1/02
DJAS replaces Washington Headquarters Service (WHS) Allotment Accounting System (WAAS-MOD), General Funds Requirements	1/03
Deployment Completion	9/03

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews

RESULTS INDICATORS: Financial statements that accurately present the results of operations and financial position, and comply with laws and regulations for those transactions and events that may have a material effect on the financial statement.

DFAS MIGRATION SYSTEM and COMPLIANCY STRATEGY for MILITARY PAY

FINANCIAL MANAGEMENT FUNCTION: Military Pay, Defense Joint Military Pay System (DJMS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service

NAME OF RESPONSIBLE PROGRAM MANAGER: Ms. Sylvia Hanneken

TITLE OF MATERIAL NONCONFORMANCES: duplication of military pay systems used to pay DoD military personnel.

SOURCE OF DISCOVERY OF MATERIAL NONCONFORMANCES: Defense Management Review Decision (DMRD) 910. Consolidation of DoD Accounting and Finance Operations, Strategic Transition Plan (STP) 4-2, Standardization/Consolidation of Active Duty, Reserve, and National Guard Pay, and STP 4-3, Determine the Feasibility to Standardize/Consolidate the Reserve Officer Training Corps (ROTC), Academy, and Armed Forces Health Professionals Special Pay (AFHPSP) and the Final Report to the Defense Science Board Task Force on Military Personnel Management August 21, 1996.

CORRECTIVE ACTION: DJMS approved as the standard DoD military pay system by DoD Comptroller and the CIM Financial Management Steering Committee on October 17, 1991, will consolidate 22 Army, Navy, Air Force, and Marine Corps military pay processes into two systems, DJMS and the Marine Corps Total Force System (MCTFS).

SCOPE:

Mission Supported: Nineteen Army, Navy, and Air Force military pay systems for active duty, National Guard, Reserve, Reserve Officer Training Corps (ROTC), Armed Forces Health Professionals Scholarship Program (AFHPSP) and service academies operating at three DFAS Centers and three Service field locations were paying approximately 2.6 million members. DJMS will be converted into a single system in a multi-step process. Army, Navy, and Air Force active duty and Academy accounts will be converted to DJMS active component (DJMS-AC). Army, Navy, and Air Force Reserve, and National Guard, ROTC and AFHPSP accounts will be converted to DJMS reserve component (DJMS-RC). DJMS-AC and DJMS-RC will be merged to form DJMS. DJMS will operate at three locations; DFAS-Denver Center, DFAS-Indianapolis Center, and DFAS-Cleveland Center. Existing input systems will be used for the initial collection of military pay transactions and formatting data to meet DJMS requirements. Upon completion of the Army, Navy and Air Force deployments to DJMS, a single standard personnel and pay integrated input system will be developed and deployed to the military departments.

The Marine Corps active Duty and Reserve military pay and personnel systems which pay approximately 300 thousand members was combined into the Marine Corps Total Force System (MCTFS). MCTFS operates at the DFAS-Kansas City Center and use existing input systems to collect military pay and personnel transactions.

Both DJMS and MCTFS functionality will migrate into the Defense Integrated Military Human Resource System (DIMHRS) and become part of the DoD single integrated military personnel and pay system.

Functions Performed: DJMS and MCTFS perform pay and leave computation, pay all DoD military personnel, and provides accounting data for the management of Service military personnel appropriations. MCTFS is an integrated military personnel and pay system with an integrated active and reserve personnel data base. Functionally, both systems will provide:

- a. Pay computation - compute members net pay due from authorized entitlement less mandatory withholding and voluntary withholdings, deductions, and payments.
- b. Leave record keeping - maintain members leave balances by accruing leave earned and deducting leave used. Provide members a monthly update of leave transactions.
- c. Accounting for military pay.
- d. Reporting
 - (1) In accordance with DoD 7770.3 (Defense Manpower Data Center).
 - (2) Earnings, withholding and social security to Federal, state and local authorities.

PACE:

Year Identified: 1991

Targeted Correction Date in Last Year's Report: 1996

Current Target Date: 2001

Reason for Change in Date: The magnitude of post JUMPS-Active Army conversion system changes to DJMS-AC required to accommodate Army operations requirements consumed the development resources scheduled to be devoted to the Naval Academy and Navy active duty and in turn delayed those projects. The acceleration of Navy ROTC and AFHPSP projects caused a rescheduling of the Navy Reserve.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
JUMPS - Departmental (USAF) accounts to DJMS-AC	1/92
JUMPS - Reserve Forces (USAF) accounts to DJMS-RC	1/92
JUMPS-Active Army accounts to DJMS-AC	3/92
Cadet Pay and Accounting System (USAF) accounts to DJMS-AC	1/93
JUMPS Reserve Component (USA) accounts to DJMS-RC	7/93
West Point Cadet Pay System accounts to DJMS-AC	4/94

Merge USMC JUMPS/Manpower Management System and Reserve Manpower Management System to form MCTFS	12/94
Health Professionals Pay System (USA) accounts to DJMS-RC	4/95
ROTC Cadet Pay System (USA) accounts to DJMS-RC	4/95
Naval Academy Midshipmen Pay System accounts to DJMS-AC	5/95
AFHPSP Reserve Pay System (USN) accounts to DJMS-RC	8/95
Naval ROTC Subsistence and Cruise Pay System accounts to DJMS-RC	10/95
ROTC Cadet Pay System (USAF) accounts to DJMS-RC	10/95
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Navy JUMPS accounts to DJMS-AC	02/98
Correct inconsistencies between data in the military personnel systems and military pay systems through standard reconciliation of data.	9/98
Correct the process of updating DJMS-AC Overseas Housing Allowance and Cost of Living Allowances Tables.	9/98
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Naval Reserve Drill Pay System accounts to DJMS-RC	12/98
Consolidate and create central site instructions for the DJMS-RC	3/00
Correct the capability to update all tables in DJMS-AC and DJMS-RC programmatically.	9/00
Merge DJMS-AC and DJMS-RC	12/00
<u>VALIDATION PROCESS TO BE USED:</u> Systems Qualifications and Acceptance Testing; Customer and Internal Evaluations; Internal Control Reviews; and Service, DoD, and GAO inquiries and audits.	
<u>RESULTS INDICATORS:</u> Timeliness and accuracy of payments, leave and earnings statements and financial data that fairly present the results of operations and are in reasonable compliance with laws, regulations, and policies for those events and transactions that have a material effect on the pay and leave of military members.	
<u>MAJOR ITEMS OF INTEREST:</u> The deployment of the Navy active duty to DJMS-AC in February 1998 and the Navy Reserve Component in December 1998 will complete the Army, Navy and Air Force deployments to a single migratory military pay system. The merge of the DJMS-AC and the DJMS-RC will complete the system consolidation and be the baseline for the military pay piece of the single standard Defense Integrated Military Human Resource System (DIMHRS).	

DFAS MIGRATION SYSTEM and COMPLIANCY STRATEGY for CONTRACT and VENDOR PAY

FINANCIAL MANAGEMENT FUNCTION: Entitlement Pay Processing for Contract and Vendor Payment, Defense Procurement Payment System (DPPS).

RESPONSIBLE ORGANIZATION: DFAS-CO-K

STRATEGY OVERVIEW: The Defense Finance and Accounting Service (DFAS) Headquarters authorized the design, development, and implementation of DPPS to modernize business processes and define standard and shareable data for contract and vendor payments. Currently, contract and vendor payments are accomplished by multiple systems some of which are incapable of communication between the entitlement function and other interfacing systems like accounting and disbursing systems. DPPS will integrate both the contract and vendor payment business areas into a standardized on-line computer processing environment merging both functional areas to operate from common data rather than duplicated or unmatched data records residing in various databases and in hard copy form.

The need for DPPS is critical and consistent with the goals of the DFAS Strategic Business Plan and the Chief Financial Officer's Five Year Plan. Both plans include improvements in system capabilities and business processes for finance and accounting activities. These improvements can be accomplished through greater efficiencies in service, technological innovation, and communication enhancement.

DPPS will provide DFAS customers access to greater amounts of information, access to more current information, and will reduce the volume of data entry. It is anticipated that real time access to information, source data entry, and improved storage and retrieval capabilities will lead to a decrease of multiple current activities into a single activity within an optimized business process. The process improvements derived from the implementation of the new system will lead to reductions in paper handling, improved data accuracy, reduced manual research and reconciliation, and reduced manual data entry.

The DPPS initiative will provide DoD with greater financial management and internal control. The following listed items are the major functional and technical benefits that are planned for under the DPPS program.

- Eliminate negative unliquidated obligations.
- Reduce overpayments.
- Establish a single point of funds availability validation.
- Prevent unmatched disbursements.
- Standardize processes.
- Standardize shared data.
- Improve data management capability.

- Improve data integrity.
- Improve cross functional processes.
- Improve accuracy of procurement payment processes.
- Provide greater flexibility for system changes.
- Reduce reliance on hard copy documents.
- Reduce labor intensive processes.
- Eliminate manual reconciliation.

NAME OF RESPONSIBLE PROGRAM MANAGER: Ms. Christy Rhoads.

NAME OF DFAS FUNCTIONAL AREA MANAGER: Brigadier General Roger Searce

DESCRIPTION OF DEPARTURE (S) AND IMPACT ON AGENCY OPERATIONS:

Prior to implementation of DPPS, a series of interim consolidation efforts will reduce sixteen existing contract and vendor payment systems to eight. These eight will then be migrated to DPPS. Replacement will be on a system -by-system basis; as a system is replaced, the next will be begun. The entitlement function of the eight systems listed below, will be incrementally replaced by the DPPS functionality.

- Mechanization of Contract Administration Services (MOCAS)
- Standard Automated Material Management System (SAMMS)
- Automated Voucher Examination disbursing Systems (AVEDS)
- Standard Automated Voucher Examination System (SAVES)
- Defense Integrated Subsistence Management System (DISMS)
- Computerized Accounts Payable System (CAPS)
- Standard Accounting and Reporting System-One Bill Pay (STARS)
- Integrated Accounts Payable System (IAPS)

SOURCE (S) OF DISCOVERY OF DEPARTURE(S): The mission need for DPPS is derived from the DFAS Strategic Business Plan and Chief financial Officer's 5 Year Plan to improve systems' capabilities and business processes for finance and accounting. This requirement can be accomplished in part through improved efficiencies, technological innovation, and communication enhancement. DPPS is being developed to standardize and optimize contract and vendor payment.

CORRECTIVE ACTION (S) FOR DEPARTURES: Recognizing that consolidation into interim migratory systems is only a part of the solution, the DFAS Director is leading an effort to bring standardization into the agency. Consequently, the Defense Procurement Payment System (DPPS) Program Management Office (PMO) was created to standardize contract and vendor payment functions. Current Automated Information Systems (AIS) do not conform to Defense Data Dictionary System (DDDS) standards in that they do not employ standard data elements and standard payment business practices. The draft DPPS Economic analysis, completed in September 1996, indicated that the preferred alternative to acquire the new AIS is to pursue a

commercial software solution. The DPPS PMO has mapped out a strategy to evaluate and obtain commercial software proposals provided by participatory vendors on the GSA Financial Management System Software (FMSS) Mandatory for Consideration schedule.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Prior to 1991, most of the major DoD departments, components and agencies controlled and operated independent finance and accounting organizations. These independent organizations developed different processes, policies, and systems to support their financial functions. During the late 1980s, several government review actions advocated standardization and consolidation as a key approach for reducing the cost of DoD operations. The creation of DFAS was intended to promote cost effectiveness while maintaining and enhancing finance and accounting services.

Since 1991, DFAS has been responsible for managing the finance and accounting functions of the DoD components. In addition to performing its mission, DFAS is charged with reducing costs by standardizing and improving procedures and systems, streamlining operations, and eliminating redundancies.

DPPS will operate using shareable data and Electronic Commerce (EC/Electronic Data Interchange (EDI) capabilities that are essential to support financial management into the twenty-first century. Business process reengineering (BPR) for contract and vendor payment will be included in this new initiative. A phased approach will be used for system deployment. In Phase 1, DPPS will replace and optimize payment functionality currently located in the Agency's contract payment system: the Mechanization of Contract Administration Services (MOCAS) Phase 2 will replace and optimize the payment functionality currently located in seven vendor payment systems

Functions Performed: Entitlement Payment for Contract and Vendor Payments

PACE OF CORRECTIVE ACTIONS(S):

Year Identified: FY 1996

Targeted Correction Date (s) in Last Year's Report: None

Current Target Date (s): Initial Operating Capability (IOC) - November 1999
Full Operating Capability (FOC) - April 2002

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTIONS(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
DPPS Program Manager Appointed	4/95
DPPS Program Management Office (PMO) Created	5/95
Mission Need Statement Approved	10/95
Milestone 0 Approval	10/95
Completed the Contract Payment Data Model (CPDM)	1/96
Incorporate CPDM into Shared Data Warehouse Implementation Model	4/96
Modeled Invoice and Data Management Functions	5/96
Draft Economic Analysis Completed	9/96
Decision Brief to revise Acquisition Strategy	9/96
Major Automated Information System (MAIS) Designation	11/96
Conducted Internal Customers Working Integrated Process Team (WIPT)	11/96
Modeled Matching and Fund Assignment Functions	12/96
Formalized Joint Procurement IPT	1/97
Completed Statement of Work (FMSS)	2/97
Letter of Interest Solicitation Released	3/97
Financial Management Systems Software (FMSS) Proposal Received	7/97
Complete MOCAS Sensitivity Study	9/97
Complete Data Conversion Requirements Study	9/97
Integrated Finance and Procurement Data View Approved	10/97
Completed FMSS Demonstration and Validation	10/97
<u>Planned actions/events(short term)</u>	<u>Planned Completion Date</u>
FMSS Best and Final Offer Complete	2/98
IFPDV implemented in DFAS Corporate Database	3/98
Milestone I/II Review	4/98

FMSS Contract Award	4/98
IFPDV implemented in Shared Data Warehouse	6/98
Post-Award System Modifications Completed	8/98
<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Start DT&E Testing for Increment 1 Contract Payment	3/99
End DT&E Testing for Increment 1 Contract Payment	7/99
Start OT&E Testing for Increment 1 Contract Payment	7/99
End OT&E Testing for Increment 1 Contract Payment	10/99
Start DT&E Testing for Increment 2 Vendor Payment	7/99
End DT&E Testing for Increment 2 Vendor Payment	9/99
Start OT&E Testing for Increment 2 Vendor Payment	9/99
End OT&E Testing for Increment 2 Vendor Payment	12/99
MAISRC Milestone III A Review - Contract Payment Only	10/99
MAISRC Milestone III B Review - Vendor Payment	12/99
MOCAS Deployment Completed	2/00
AVEDS Deployment Completed	6/00
SAVES Deployment Completed	10/00
IAPS Deployment Completed	1/01
DISMS Deployment Completed	5/01
SAMMS Deployment Completed	9/01
CAPS Deployment Completed	12/01
STARS Deployment Completed	4/02

VALIDATION PROCESS TO BE USED: The process to be used is threefold. The first one is the Demonstration Evaluation (Dem/Eval) process to be conducted by the Source Evaluation Selection Board (SSEB) which consist of Government personnel employed at DFAS, DFAS-FSO and DFAS-FSA determined qualified to carry out the technical and functional evaluation of the commercial-off-the-shelf (COTS) software offered by vendors.

The second step is the Developmental Test and Evaluation (DT&E) of the COTS software which will be conducted in two increments. Increment I will test for contract payment functionality. Increment II will test to ensure that all vendor payment functionality exists in the modified COTS.

The third step is the Operational Test and Evaluation (OT&E) which is an independent assessment of the DPPS functional and system capability.

RESULTS INDICATORS: The following Performance Parameters will be used to measure the system capability of DPPS.

- **Data Accuracy** to ensure that data accessed to perform entitlement operations is identical to the source information used to populate and update the database.
- **Data Relevancy** represents queries against payment data for only that information that is necessary to ensure accurate entitlements.
- **Data Currency** ensures data retrieved to validate entitlement is the most recent and accurate information (real-time) in the DCD.
- **Single Data Entry** represents the entry of discrete entitlement data only once.
- **Data Integrity** means that access to operational data used to validate entitlement is controlled at all times.
- **Data Standardization** represents the acceptance and processing of critical data (standardization of data fields and characters) in accordance with the Defense Data Dictionary system (DDDS).
- **System Edits** shall identify and reject data that the user attempts to enter in an incorrect format prior to the data being accepted and processed.
- **Functionality** of the DPPS application must provide the functionality to support the full spectrum of entitlement processes for both contract and vendor payment.
- **Response Time** - (DPPS application must be operable on the Defense Information System Network (DISN) and DFAS Enterprise Local Area Network ELAN) with an acceptable response time.
- **Data Recovery and Restoration** - the system must maintain the capability to recover operational data and restore the operational database.
- **System Availability** - DPPS availability directly relates to the number of hours per week that the DPPS application and operational database are available for use by properly trained, authorized personnel.
- **System Reliability** will be measured by the Mean Time Between Critical Failures.
- **Electronic Commerce/Electronic Data Interchange** - DPPS must provide the capability to exchange data electronically between DoD and industry.
- **System Security** - the DPPS application must have auto mated data processing security in accordance with applicable directives for classification up to and including mandatory C2 level.
- **Reporting** - DPPS will provide a full range of operational, financial, and managerial reports with all required details in a timely manner to all users.

- **Database System and Administration** the DCD must maintain the ability to perform routine system administration tasks on a regular basis.
- **Interoperability** - DPPS will be able to electronically interface with accounting, disbursing, and procurement support systems through the DFAS DCD to transmit and/or receive data necessary to support the contract and vendor payment business process.
- **System Supportability** - individuals shall be made available to provide the necessary user support assistance 24 hours per day, 365 days per year.
- **Capacity Capability** - DPPS hardware and operation system software configuration must maintain processing and storage capacity to meet the documented average daily workload.
- **Technical Capability** - DPPS application software and related database must provide the technical capability to support the full spectrum of the entitlement process for both contract and vendor payment.
- **Technical Supportability** - any DPPS software failure that adversely affects the accomplishment of a mission essential capability must have a workaround or fix provided with a timely response back to the problem notifier.
- **System Software and Hardware Failures** - any DPPS failure that results in lack of operational capacity needs to be resolved in a timely manner to ensure the minimal amount of operational downtime.

DFAS MIGRATION SYSTEM and COMPLIANCY STRATEGY for CIVILIAN PAY

FINANCIAL MANAGEMENT FUNCTION: Civilian Pay, Defense Civilian Pay System (DCPS).

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Richard Webb

TITLE OF MATERIAL NONCONFORMANCES: Payroll Procedures, Audit Trails, System Controls, System Documentation, System Operations, User Information Needs

SOURCE OF DISCOVERY OF MATERIAL NONCONFORMANCES: System Manager/User Reviews, Audits, and Management Control Reviews.

CORRECTIVE ACTION: Replace the various non-standard civilian payroll systems with DCPS.

SCOPE:

Mission Supported: DCPS payroll operations currently are being consolidated at DFAS payroll offices located in Denver, Colorado; Pensacola, Florida; and Charleston, South Carolina. The DCPS provides payroll support for 691,000 Army, Navy, Air Force, and Defense agency civilian employees. All remaining payroll accounts are to be converted to DCPS in FY 1998. The DCPS is consistent with guidance from the President's Council on Management Improvement, Reform 88 Civilian Personnel Payroll Project and the Department of Defense Corporate Information Management initiatives.

Functions Performed: The DCPS is an automated civilian payroll system that improves productivity and reduces support costs when compared to previous DoD systems, performs data collection, processing and reporting for civilian payroll, leave and unit cost accounting. The system will have appropriate automated interfaces with accounting systems and civilian personnel data systems.

PACE:

Year Identified: FY 1991

Targeted Correction Date in Last Year's Report: TBD

Current Target Date: 5/98

Reason for Change in Date: Defense Finance and Accounting Service and the Defense Logistics Agency reached mutual agreement on conversion dates.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Navy Standard Civilian Payroll System	9/91
Naval Avionics Center Civilian Pay System	5/92
Air Force Centralized Civilian Payroll System	6/92
Naval Air Engineering Center Civilian Pay System	8/92
Naval Facilities Engineering Activities	9/92
Naval Research Laboratory Payroll System	10/92
Naval Underwater Warfare Center Payroll System	11/93
Naval Ordnance Management Information System	1/94
Marine Corps Automated Leave/Pay System	9/94
Standard Army Civilian Payroll System - Redesign	7/95
National Security Agency Payroll System	3/96
Standard Army Technician Payroll System	3/96
Corps of Engineers Civilian Pay and Leave System	4/96
Shipyards Management Information System	4/96
Stock Points Payroll System	3/97
Uniform Financial Management System	6/97
Standard Army Civilian Payroll System	7/97
Local Systems OCONUS Paying U.S. Citizens	7/97
Air Force Standard Civilian Automated Pay System	8/97
Military Sealift Command Civilian Mariner Pay (MSC deleted from schedule.)	----

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Defense Business Management System	5/98

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST:

1. FY 1997 Program: 111,000 employee accounts were converted to DCPS during FY 1997, eliminating seven payroll systems.

2. FY 1998 Planned Program: Between 65,000 and 68,000 accounts, depending on DoD down-sizing, will be added during FY 1998, completing DCPS consolidation DoD-wide. One payroll system will be eliminated. Also, during FY 1998, enhancements will be made to the DCPS software to enable productivity ratios in the three DCPS payroll offices to increase from 1 employee for every 1,800 accounts to 1 employee for every 2,173 accounts serviced. Software changes required for Year 2000 will be made and one module of the DCPS system will be engineered in prototype environment using CASE reengineering tools.

DFAS Migration System and Compliancy Strategy for Defense Working Capital Fund Accounting

Financial Management Function: Defense Working Capital Fund (DWCF) Accounting.

Responsible Organization: Defense Fuel Supply Center - Ft. Belvoir, Va.

Strategy Overview: The Defense Fuels Automated Management System (DFAMS) will be replaced by the Fuels Automated System (FAS). FAS is a commercial-off-the-shelf system (COTS). FAS will provide accounting, contracting, and fuels supply management support for the Defense Logistics Agency (DLA). FAS will support the Fuels Supply Management - Wholesale and Retail Business Areas. The customer base is DoD wide for all fuels including Bunkers, IntoPlane, Posts Camps and Stations, Bulk and Missile Fuels. FAS is a mixed system with financial applications making up about one third of the programs. DLA currently manages the FAS development effort with planning underway to transfer ownership of the financial programs to DFAS once they are acceptance tested and certified CFO compliant.

Name of Responsible Program Manager: DFAS is Mr. John Gorman; DLA is Mr. Hank Marrangoni.

Description of Departure(s) and Impact on Agency Operations:

System Documentation and user information needs.

Source(s) of Discovery of Departure(s): System Manager/User Reviews, Audits, and Management Control Reviews.

Corrective Action(s) for Departure(s): The current DFAMS system is being replaced with FAS, a COTS, which will correct all deficiencies identified.

Scope of Corrective Action(s):

Mission Supported: FAS will replace the entire DFAMS set of programs to include inventory, contracting and financial. The FAS customer base includes all fuel transactions in the Fuels Supply Management - Wholesale and Retail Business Areas.

Functions Performed: The FAS Fuel Management Module is being deployed to the field level capturing base level transactions. All base level transactions will be collected and stored in a central repository called the FAS Enterprise Level. The Enterprise Level will be used to process the fuel transactions for accounting, reporting and management information purposes.

Place of Corrective Action(s):

Year Identified: FY 1995

Targeted Correction Date(s) in Last Year's Report: Not reported.

Current Target Date(s): October 1999

Reason for Change in Date(s): NA

Critical Milestones in Corrective Action(s):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Mission Need Statement	2/96
Operational Requirements Document	8/96
Acquisition Strategy	1/97
Economic Analysis	10/97

<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
Complete implementation of Base Level	10/98

<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Complete implementation of Enterprise Level	10/99

Validation Process to be Used: Transaction Testing, In-Process-Reviews, independent testing by Joint Interoperability Command (JITC), and CFO Certification by independent third party conducted by DFAS-HQ.

Results Indicators: Financial statements that accurately present the results of operations and financial position and that comply with all applicable laws and regulations for CFO Compliancy. The financial statements produced will provide and audit trail for transactions having a material effect on the statements.

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

CLEVELAND CENTER
SECTION C-2

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Defense Working Capital Fund (DWCF), Standard Accounting and Reporting System - Funds Distribution/Departmental Reporting (STARS-FDR)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service, Cleveland Center

STRATEGY OVERVIEW: In March 1997, DFAS-HQ designated the STARS-FDR internal controls and general ledger control concepts as the new basis for the Defense Departmental Reporting System (DDRS). As a result the Central Database (CDB) became a legacy system. Modifications previously planned (expansion to all Working Capital Fund (DWCF) activity groups through out the Department of Defense) were discontinued except for those already underway. At present all activity groups within the CDB except for Navy Supply Management are estimated to migrate to DDRS in October 1997. Navy Supply Management is planned to migrate during FY 98.

NAME OF RESPONSIBLE SUB-SYSTEM PROGRAM MANAGER: Joycelyn Flood

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Budget and Accounting Classification Code (BACC), Deficiencies in Key Accounting Requirements

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): DFAS-HQ required implementation

CORRECTIVE ACTION(S) FOR DEPARTURE(S): Implement BACC. Correct Key Accounting Requirements deficiencies.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Performs accounting and departmental reporting functions for the Defense Business Operations Fund.

Functions Performed: General Ledger Control and Financial Reporting, Budgetary Accounting, Accrual Accounting, Accounts Payable, Accounts Receivable, Cost Accumulation/ Distribution, Inventory, Funds Control, Management Information, and Resource Planning

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY94

Targeted Correction Date(s) in Last Year's Report: Fiscal Year 1998

Current Target Date(s): Fiscal Year 1998

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion date</u>
Chief Financial Officers Act Report Change	9/95
Add functionality of the Dept. of the Navy Industrial Budgeting Info. System	10/95
Correction of KAR 1 deficiencies	12/95
Improve Financial Reports Reconciliation	12/95
Improve Menu Options	4/96
Modification of Derivation Table	4/96
FY 95 Changes to CFO Reports	6/96
Electronic File of Marine Corps Data	8/96
FY 96 Changes to CFO Reports	9/96
FY 96 Changes for Year-End Closing	9/96
Retainability of Previous Reports	9/96
Preparation for DWCF Users (Service Type Codes & Security Table)	9/96
Add DFAS-DE Industrial Fund	9/96
Add DFAS-PE Air Force & Army CDAs (IFAS)	9/96
Add DFAS-KC Industrial & Stock Fund	9/96
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
CERPS Interface	10/97

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews

RESULTS INDICATIONS: Financial statements that accurately present the results of operations and financial position, and complies with laws and regulations for those transactions and events that may have a material effect on the financial statement.

MAJOR ITEMS OF INTEREST: CDB has been designated as the legacy system to be replaced by DDRS.

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for GENERAL ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: General Accounting - Departmental Reporting, Departmental Reporting and Reconciliation System (DFRRS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Cleveland Center

STRATEGY OVERVIEW: DFRRs is the migratory system for accomplishing cash accountability and reporting for the Department of the Navy. The system is currently under incremental design and development with functionality being incorporated into the system through various "Builds". Eventually DFRRS will replace the Financial Reporting Systems (FRS), the Central Expenditure/Reimbursement Processing System (CERPS) and more than 20 other legacy automated information systems used to accomplish cash accountability and reporting for the Department of the Navy.

This initiative will reduce the business-process cycle time and generate more efficient processes, and improve customer service. DFRRS involves implementation of the following business improvement strategy:

- Reengineer end products and services to better meet customer needs,
- Streamline and simplify the business process,
- Implement standard accounting and data structure,
- Strengthen internal controls, and
- Consolidate and modernize the approximate 20+ supporting automated information systems.

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Jeffrey Yokel

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: System Documentation, and User Information Needs

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Managers/User Reviews, Audits, and Management Control Reviews

CORRECTIVE ACTION(S) FOR DEPARTURE(S): The current systems, Financial Reporting System (FRS) and Centralized Expenditure/Reimbursement Processing System (CERPS), are being reengineered to correct deficiencies. The reengineered system will replace several non-standard Navy systems identified in milestones provided below.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: DFRRS will replace FRS and CERPS which are the financial reporting systems used to report financial expenditure transactions through the Central Reporting Office at DFAS - Cleveland Center and ultimately to the Department of the Treasury. CERPS receives and consolidates transactions processed from systems such as the FRS and the Disbursing Returns Overseas and Afloat Activities (DRO) and then reports them to the Department of the Treasury. DFRRS processing will include the processing currently performed in FRS, CERPS, DRO, and many other related legacy systems.

Functions Performed: Expenditure, Collection and Reimbursement Reporting, and Management Information

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 1993

Targeted Correction Date (s) in Last Year's Report: August 1998

Current Target Date (s): December 1998 (for primary system conversions)

Reason for Change in Date(s): Revision in project implementation date

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Business Process Review (BPR) Analysis	8/95
Functional/Economic Analysis	8/95
Daily UDL/TFF Clearance Process	8/95
Implementation of "Build 1" within CONUS	10/96
<u>Planned actions/events(short term)</u>	<u>Planned Completion Date</u>
Implementation of "Build 2" within CONUS	10/97
Implementation of "Build 2", with Cross Disbursement Module	11/97
Implementation of "Build 2", selected Ex-CONUS	12/97

<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Centralized Expenditure/Reimbursement Processing System (CERPS)	12/98
Financial Reporting System (FRS)	12/98
Deposits in Transit (DIT)	12/98
Suspense Aging/Monitoring System (SAMS)	12/98
Universal Download (UDL)	12/98
Industrial Fund Centralized Disbursement/ Reimbursement System (IFCDR)	12/98
Cash Reconciliation System (CRS)	12/98
Check Recertification (RECERT)	12/98
Disbursing Returns Overseas and Afloat Activities	12/98
Financial Operations Support (FOS)	12/99
International Balance of Payments (IBOP)	12/99
Civil Service Retirement System (CSRS/TSP/FERS)	12/99
Transactions By Others (TBO)	12/99
Navy Interest Payment System (NIPS)	12/99
Interdepartmental Fund Billing Group System	12/99
<u>Other long range actions</u>	
Budget and Accounting Classification Code (On-going effort throughout development)	
Data Standardization project (On-going effort throughout development)	
Year 2000 compliance (On-going effort throughout development)	
<u>VALIDATION PROCESS TO BE USED:</u> Transaction Testing, Evaluations and Reviews	

RESULTS INDICATORS: Financial statements that accurately present the results of operations and financial position, and complies with laws and regulations for those transactions and events that may have a material effect on the financial statement.

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Defense Working Capital Fund, Defense Industrial Financial Management System (DIFMS).

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Cleveland Center

STRATEGY OVERVIEW: DIFMS has been selected to be the interim migratory system for Navy Research and Development and Depot Maintenance.

NAME OF RESPONSIBLE PROGRAM MANAGER: Paul Copeland

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Ability to provide uniform financial data that is complete, reliable, consistent, timely, and responsive to needs of agency management.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, Audits, Site Location Visits, and Management Control Reviews to determine compliance with CFO Act mandates for data standardization as well as applicable accounting principles, standards, requirements, internal controls, and requirements of OMB, the Department of the Treasury and others.

CORRECTIVE ACTION(S) FOR DEPARTURE: Ensure compliance with CFO Act through incorporation of Budget and Accounting Classification Code (BACC), Standard General Ledger, and Data Standardization.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Perform DoD Finance and Accounting Functions for the Defense Working Capital Fund

Functions Performed: General Ledger, Budget Execution, Funds Control, Accounts Payable, Accounts Receivable, Cost Accumulation/Distribution, Inventory, Real Property Management, Labor Distribution, Management Information, and Resource Planning

PACE OF CORRECTIVE ACTION(S):

Year Identified: 1993

Target Correction Date(s) in Last Year's Report: 9/00

Current Target Date(s): 9/00

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S)

<u>Completed Actions/Events</u>	<u>Actual Completion Date</u>
Selected Interim Migratory System	12/94
Transfer of System Management Responsibility	3/95
Develop Concept of Operations	3/95
Implement Reimbursable Order Verification	7/95
Completion of Cost Analysis Report to DWCF Corporate Board.	9/95
System Consolidations:	
Navy Ocean R&D Activity Auto Resource Management System (NARMS) (into NRL NIF)	9/93
Naval Ship System Engineering Station, Philadelphia (MODIFIED NIF) (into NSWC/CD FS)	10/93
NAWC-WPNS (Point Mugu) Automated Financial Management Improvement Program (AFIP) (into NIFMAS)	10/95
NAWC-WPNS (China Lake) DWCF RDT&E Support System (FCS China Lake) (into NIFMAS)	10/95
Integrated Financial Management Information System NIFMAS	9/96
NAWC-ACFT (Lakehurst) Financial System into NIFMAS	9/96
NUWC (Newport) Financial Management System (NUWC FMS)	10/96
<u>Planned Actions/Events (Long-Term) (excluding consolidations)</u>	<u>Planned Completion Date</u>
Prevalidation Of All Obligations	10/97
Development of COOP Plan	10/97
Implement Revenue Recognition % Of Completion	11/97
NCCOSC Finance and Accounting System (NFAS)	1/98

Correct Deficiencies in KAR 2-Fixed Assets	3/98
Correct Deficiencies in KAR 12-User Information Needs	3/98
Correct Deficiencies in KAR 9-Payables	3/98
Implement DTS	4/98
NAWC-Dahlgren Division Financial Management System (NSWC/DD FMS)	4/98
NCSS Panama City Automated Financial Management Information System (AFMIS) (N038)	4/98
Correct Deficiencies in KAR 4-Cost Accounting	6/98
Correct Deficiencies in KAR 7-Funds Control	6/98
Correct Deficiencies in KAR 1-General Ledger	6/98
Correct Deficiencies in KAR 3-Receivables	6/98
NAWC-ACFT (Patuxent) Navy Industrial Fund Financial Management and Accounting System (NIFMAS)	7/98
NSWC-Carderock Division Financial System (NSWC/CD FS)	7/98
Correct Deficiencies in KAR 13-Budgetary Accounting	9/98
Implement Imaging	9/98
Implement EDI	9/98
Naval Ordnance Management Information System (NOMIS)	10/98
Year 2000 Compliance	12/98
Implement BACC	7/99
Naval Ordnance Financial Management System (NOMIS)	7/99
DoD Standard Data Elements	9/99
Conversion to OSE (Reengineering efforts)	9/99
NSWC-Port Hueneme Division Real-Time Integrated Management System (RIMS)	10/99

Naval Research Laboratory Navy Industrial Fund Financial System (NRL NIF)	1/00
Online Line User Manual	4/00
Shipyards Management Information System (SYMIS)	9/00
Deployment of DIFMS OSE	9/02
Implement DPAS	TBD
Implement SPS	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, DFAS-CL/A “Accounting Systems Test Responsibilities and Procedures” December 1994, third party Customer Acceptance Testing (CAT), Evaluations, and Reviews.

RESULTS INDICATORS: Accurate and timely financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for GENERAL ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: General Accounting, Standard Accounting and Reporting System (STARS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Cleveland Center

STRATEGY OVERVIEW: STARS is part of the first phase to consolidate several Department of the Navy accounting systems to a migratory system. It is designed to reduce systems design and data processing costs by replacing several Navy field level accounting systems. Modules of STARS have been successfully implemented at all of the Cleveland Operating Locations and many Navy sites.

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Jeffery A. Yokel

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS:
Departures from Key Accounting Requirements would result in the inability to provide uniform financial data that is complete, reliable, consistent, timely, and responsive to the needs of agency management.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System reviews are used to determine STARS system compliance with CFO Act mandates for data standardization as well as applicable accounting principles, standards, requirements, internal controls, and requirements of OMB, the Department of the Treasury and others.

CORRECTIVE ACTION(S) FOR DEPARTURE(S): Considerable software modifications to the Standard Accounting and Reporting System and the replacement of various non-standard Navy systems with STARS are the mechanisms used to correct departures.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: STARS is a standardized financial management and accounting automated data processing system that provides general accounting support for the Navy. It also provides support for the Trust Fund business area.

Functions Performed: General Ledger, Deposits, Budget Execution, Cost Accumulation/Distribution, Funds Control, Budget Formulation, Accounts Payable, Resource Planning, Disbursements, Labor Distribution, Accounts Receivable, Management Information

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 1993

Targeted Correction Date (s) in Last Year's Report: FY 1998

Current Target Date (s): 9/98

Reason for Change in Date(s): No change

CRITICAL MILESTONES IN CORRECTIVE ACTION(S)

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
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Integrated Disbursing and Accounting Financial Management System (IDAFMS)
replaced with STARS at following sites:

DAO San Diego	7/94
DAO Pensacola	10/94
DAO New Orleans	1/95
DAO Norfolk	4/95
DAO Jacksonville	4/95
OPLOC Honolulu	7/95

Navy Standard Claimant Accounting Module (NSCAM) replaced with STARS
at following sites:

DAO Arlington	8/94
BUPERS	9/94
SPECWARCOM	11/94
MEDCOM	12/94
DAO Pensacola	1/95
DAO Pearl Harbor	2/95
DAO Norfolk	3/95
DAO New Orleans	5/95

EDI Phase I of the Implementation	2/95
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Uniform ADP System - Stock Points, Series G	6/95
NAVSUP Uniform ADP System - Inventory Control Points, Integrated Disbursing (UADPS G03/G06)	9/95
Fund Administration and Standardized Document Automation (FASTDATA) incorporated into STARS	11/95
Office Vision/E Mail Implementation	5/96
Correct deficiencies in KAR 7, System Controls	10/96
Correct deficiencies in KAR 8, Audit Trails	10/96
Correct deficiencies in KAR 13, Budgetary Accounting	10/96
USNA Trust Fund Accounting Systems (Gift Museum Funds) (NTFAS)	12/96
Trust Fund Accounting System (TFAS)	12/96
Financial Management Information System (FINMIS)	2/97
Navy Standard Claimant Accounting Module (OCONUS) (NSCAM)	3/97
Naval Air Warfare Center Training Systems Division RMS (NAWCTSD FMS)	4/97
Authorization Accounting Activity - Resource Management System, Rota, Spain (AAA-RMS)	5/97
NAVSECGRU Management Information System (NAVSECGRU MIS)	6/97
Automated Accounting System (AAS)	9/97
<u>Planned actions/events(short term)</u>	<u>Planned Completion Date</u>
Navy Headquarters Financial System (NHFS)	10/97
Responsible Office Automated Resource System (ROARS)	10/97
Fleet Resource Accounting Module (FRAM)	10/97
Reserve Financial Management/Active Duty for Training System	10/97
Correct deficiencies in KAR 2, Property and Inventory Accounting	10/97
UADPS Level II RMS	11/97

Correct deficiencies in KAR 10, System Documentation	11/97
Correct deficiencies in KAR 1, General Ledger Control	12/97
Facilities Information System (FIS)	4/98
Correct deficiencies in KAR 5, Accrual Accounting	6/98
Correct deficiencies in KAR 3, Accounting for Receivables	6/98
Correct deficiencies in KAR 9, Cash Procedures and Accounts Payable	6/98
Correct deficiencies in KAR 12, User Information Needs	6/98

<u>Planned actions/events(long term)</u>	<u>Planned Completion Date</u>
Data Standardization project, System Documentation	10/98
Implement Budget Accounting Classification Code	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: The production of financial statements that accurately present the results of operations and the financial position, and complies with laws and regulations for those transactions and events that may have a material effect on the financial statements

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Defense Working Capital Fund, Defense Working Capital Accounting System (DWAS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service-Cleveland

STRATEGY OVERVIEW: DWAS has been selected to be the migratory system for the Printing and Publications and Naval Base Support Business Areas.

NAME OF RESPONSIBLE PROGRAM MANAGER: Paul Copeland

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Ability to provide uniform financial data that is complete, reliable, consistent, timely, and responsive to needs of agency management.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): Negotiations with contractors to ensure that the system selected complied with CFO Act mandates for data standardization, Business Area accounting principles, OMB and Treasury requirements.

CORRECTIVE ACTION(S) FOR DEPARTURE: EC/EDI compliance, DTS, DPAS, Standard General Ledger and Data Standardization requirements must be met.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Perform DoD Finance and Accounting Functions for the Defense Working Capital Fund (DWCF).

Functions Performed: General Ledger, Travel, Accounts Payable, Accounts Receivable, Inventory, Housing Contracts, Funding, Fixed Assets, Billing, Reporting, and Cost Posting

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 1994

Target Correction Date(s) in Last Year's Report: Not in last year's report

Current Target Date(s): 9/99

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed Actions/Events</u>	<u>Actual Completion Date</u>
Selected Interim Migratory System	12/94
Selection/Development of DWAS	4/96
Establishment of Project Office	7/96

<u>Planned Actions/Events (Short-Term)</u>	<u>Planned Completion Date</u>
Prevalidation of All Obligations	10/97
Financial Management Information System (FINMIS)	10/97
Printing Resource Management Information System (PRMIS)	11/97
Development of COOP Plan	2/98
DoD Standard Data Elements	2/98

<u>Planned Actions/Events (Long-Term) (excluding consolidations)</u>	<u>Planned Completion Date</u>
Implement BACC	12/98
Implement EDI	9/99
Standardize Business Practices and Formats	9/99
Public Works Center Management Information System (PWCMIIS)	9/99

VALIDATION PROCESS TO BE USED: Transaction Testing, DFAS-CL/A “Accounting Systems Test Responsibilities and Procedures” December 1994, Customer Acceptance Testing (CAT), Evaluations and Reviews, Quality Assurance Testing, Interface Testing, Data Conversion Testing, Developmental Testing, Operational Testing and Evaluation, Software Acceptance Testing, Year 2000 Compliancy Testing, Independent Operational Assessment and CFO Compliancy Testing.

RESULTS INDICATORS: Financial statements that accurately present the results of operations and financial position and complies with laws and regulations for those transactions and events that may have a material effect on the financial record.

CLEVELAND MIGRATION SYSTEM COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Defense Working Capital Fund, Industrial Fund Accounting System (IFAS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Cleveland Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Jeffery A. Yokel

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Ability to provide uniform financial data that is complete, reliable, consistent, timely, and responsive to needs of agency management.

SOURCE (S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Review, Audits, Site Location Visits, and Management Control Reviews to determine compliance with CFO Act mandates for data standardization as well as applicable accounting principles, standards, requirements, internal controls, and requirements of OMB, the Department of the Treasury and others.

CORRECTIVE ACTION (S) FOR DEPARTURE(S): Ensure compliance with CFO Act through incorporation of Budget and Accounting Classification Code (BACC), Standard General Ledger, and Data Standardization.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Perform DoD Finance and Accounting Functions for the Defense Business Operations Fund

Functions Performed: General Ledger, Cost Accumulation/Distribution, Funds Control, Accounts Receivable, Budget Formulation, Management Information, Accounts Payable, Labor Distribution, Budget Execution, Inventory, Capital Investment Accounting, and Real Property Management.

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 93

Targeted Correction Date(s) in Last Year's Report: 10/98

Current Target Date(s): TBD

Reason for Change in Date(s): Decision to perform an Alternative Analysis for the Information Services Business Area. The analysis was initiated to determine the most cost

effective means to ensure implementation of a compliant system in support of the Information Services Business Area. Excluding enhancements to support development of an interface to the Defense Travel System (DTS) and changes required to ensure that IFAS is Year 2000 compliant, all other enhancements to the current system were placed on hold until the analysis is complete and an alternative is selected. Projected completion dates for corrective actions will reflect "TBD" Pending completion of the Alternative Analysis and selection of a preferred alternative.

CRITICAL MILESTONES IN CORRECTIVE ACTION(S)

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Converted 33 DISA sites to IFAS	10/94
Selected Interim Migratory System	12/94
Convert Army and Air Force CDAs to IFAS	10/96
Convert DISA Pacific sites to IFAS	1/97
Prevalidation of Obligations	6/97
<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
Implement DOD Standard General Ledger	12/97
Develop Defense Travel System (DTS) interface	4/98
<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Year 2000 Plan	12/98
Implement Grassley Amendment	TBD
Develop Finance/Accounting Management Information System (FAMIS) conversion plan	TBD
Implement Reimbursable Order Validating	TBD
Implement BACC	TBD
Implement EDI	TBD
<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>

KAR 4 - Cost Accounting	TBD
KAR 2 - Property and Inventory Accounting	TBD
KAR 7 - System Controls	TBD
KAR 9 - Cash Procedures and Accounts payable	TBD
KAR 3 - Accounting for Receivables	TBD
KAR 12 - User Information Needs	TBD
KAR 13 - Budgetary Accounting	TBD
Convert FAMIS	TBD
Data Standardization Project	TBD
Imaging	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, DFAS-CL/A "Accounting Systems Test Responsibilities and Procedures" Dec 94, and Evaluations & Reviews.

RESULTS INDICATORS: Accurate and timely financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for COST REPORTING

FINANCIAL MANAGEMENT FUNCTION: Cost (Work Year and Personnel Cost “WYPC” by Object Class) Reporting, Civilian Personnel Resource Reporting System (CPRRS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service Cleveland Center (DFAS-CL)

STRATEGY OVERVIEW: CPRRS and WYPC for purposes of this document are synonymous, WYPC will be used. The DFAS-CL WYPC Redesign is the move to a single Department of Navy (DoN) WYPC system. This is the first step to becoming the Department of Navy (DoN) WYPC interim migratory system. The Redesign WYPC is to create centralized single site processing while reducing systems maintenance and data processing costs by replacing imbedded program logic in 14 DoN accounting systems.

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Jeffery A. Yokel

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: The Department of Navy lacks standard, fully automated and consolidated WYPC reporting capability. The focus for redesign of the DoN's WYPC reporting is addressing a move from de-centralized to centralized processing and data control. This redesign will also include a pre-validation with error reports and reconciliation of expenditures with Treasury. A vital concept of our WYPC redesign is centralized processing. This centralized processing has been made possible by DFAS-HQ actions to designate and implement one civilian pay system, the Defense Civilian Pay System (DCPS), for the Department of Defense (DoD). The WYPC Redesign will also unite the regional consolidation with Level I processing and provide a centralized source of input for Level III to DoN.

The WYPC Redesign initiative is to consolidate processing of DCPS source data from multiple pay centers and provide WYPC reports and data access to DoN, Operating Locations (OPLOCs), and various field activities. This will provide uniform financial data that is complete, reliable, consistent, timely, and responsive to needs of agency management.

Since this is a system under development, there are no departures from Key Accounting Requirements (KARs) within WYPC. The KARs have been reviewed and statements of compliance actions will be presented in lieu of departure actions.

SOURCE(S) OF DISCOVERY OF COMPLIANCE REQUIREMENTS: The WYPC Redesign initiative is the result of a business practice analysis of the DoN's CPRRS system. Other types of general system reviews, such as those to determine compliance with the CFO Act mandates for data standardization as well as applicable accounting principles, standards, requirements, internal controls, and requirements of OMB, the Department of the Treasury, and others, were also used.

COMPLIANCE ACTION(S): Incorporate compliance in the WYPC Redesign functional requirements and make the Central Design Authority (CDA)- Financial Systems Activity - Pensacola (FSA-PE) aware of all compliance requirements.

SCOPE OF COMPLIANCE ACTION(S)

Mission Supported: The WYPC Redesign will be the standard WYPC reporting Automated Information System (AIS) for the DoN.

Functions Performed: Cost Accumulation/Distribution, Resource Planning, and Management Information.

PACE OF COMPLIANCE ACTION(S):

Year Identified: FY 1997

Targeted Correction Date (s) in Last Year's Report: Not included in last years report

Current Target Date (s): 7/98

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN COMPLIANCE ACTION(S)

<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Budget Accounting Classification Code (BACC)	7/98
Monitor BACC changes	Ongoing
Data Standardization project	7/98
Mapping the WYPC Redesign data base to the Defense Data Model Matching WYPC Data Elements to the DoD Standard Data Element Dictionary Key Accounting Requirement for General Ledger Control and Financial Reporting, Cost Accounting, System Controls (Fund and Internal), Audit Trails, System Documentation, Systems Operation, User Information Needs, and Budgetary Accounting.	7/98
Civilian Personnel Resources Reporting System Level I / II Pensacola	9/98
Various field supported AIS initiatives.	
Standard Accounting and Reporting System (STARS)	TBD
DEFENSE Industrial Financial Management System (DIFMS)	TBD

Standard Accounting Budgeting and Reporting System (SABRS)	TBD
Financial Management Information System (FMIS)	TBD
Industrial Fund Accounting System (IFAS)	TBD
Navy Industrial Fund Financial Management & Accounting System (NIFMAS)	TBD
Naval ordnance Management Information System (NOMIS)	TBD
Naval Surface Weapons Center Carderock Division Financial System (NSWC / CD FS)	TBD
Naval Surface Weapons Center Dahlgren Division Financial System (NSWC / DD FS)	TBD
NAVFAC Public Works Center Management Information System (PWC MIS)	TBD
Real-time Integrated Management System (RIMS)	TBD
Shipyards Management Information System (SYMIS)	TBD
United States, Naval Accounting Activity, United Kingdom (UK)	TBD
CINCUSNAVEUR Information Systems Division (ISD), UK	TBD

VALIDATION PROCESS TO BE USED: Transaction testing developed at the scenario level, parallel processing, evaluations and reviews

RESULTS INDICATORS: Reports that accurately present the WYPC position, and complies with laws and regulations for those transactions and events that may have a material effect on report content.

CLEVELAND MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Defense Working Capital/Stock Fund, Material Financial Control System (MFCS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Cleveland Center

STRATEGY OVERVIEW: Navy and DFAS personnel have agreed to utilize the Material Financial Control System for both wholesale and retail supply management.

NAME OF RESPONSIBLE PROGRAM MANAGER: Richard Wilger

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: System not compliant with a few CFO Act mandates. Departures from Key Accounting Requirements (KAR).

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager User Reviews / Review of Operations, System change requests to correct deficiencies, and Functional Analysis of Systems

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Perform DoD Finance and Accounting Function for the Defense Working Capital Funds.

Functions Performed: General Ledger, Accounts Payable, Management Information Accounts Receivable, Inventory, Financial Reports, and Funds Control

PACE OF CORRECTIVE ACTION(S):

Year Identified: Unknown

Targeted Correction Date(s) in Last Year's Report: N/A

Current Target Date(s): To Be Determined

Reason for Change in Date(s): Complications with DoN for the agreement of transfer of ownership.

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Selected Interim Migratory System	12/94
Perform Cost Analysis	9/95
Develop Concept of Operations	9/95
Implement EDI	9/97

<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
Data Standardization Project	11/97
Development of COOP Plan	12/97
Correct deficiencies in KAR 2 - Property and Inventory Accounting	12/97
Correct deficiencies in KAR 12 - User Information Needs	12/97
Correct deficiencies in KAR 3 - Accounting for Receivables	12/97
NAVSUP Uniform ADP System - Inventory Control Points, Integrated Disbursing (UADPS -G03/G06)	5/98
Correct deficiencies in KAR 1 - General Ledger Control	9/98
NAVSUP Uniform ADP System - Level II Stock Fund (UADPS-Level II)	9/98

<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Implement Prevalidation	12/98
Correct deficiencies in KAR 7 - Funds Controls	12/98
Implement BACC	12/98
Correct deficiencies in KAR 9 - Cash Procedures and Accounts Payable	12/98
SAC 207 Conversion	12/98
Correct deficiencies in KAR 5 - Accrual Accounting	12/98
Correct deficiencies in KAR 11 - System Operations	12/98
On-line Users Manual	12/98
Open Systems Environment	12/98
Year 2000	8/99
Shipboard Uniform ADP System, Special Account Class 207 (SAC 207)	9/99
NAVSUP Uniform ADP System - Stock Points, Applications E&F (UADPS SP-E&F)	9/99
Financial Inventory Reporting System (FIRS)	9/99
Shipstores (SS)	9/01

VALIDATION PROCESS TO BE USED: Testing procedures as outlined in DFAS 8000.1-R, Chapter 11.

RESULTS INDICATORS: Accurate and timely financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

COLUMBUS CENTER
SECTION
C-3

COLUMBUS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING, SUPPLY - RETAIL

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund (WCF), Supply - Retail, Base Operations Support System (BOSS)

RESPONSIBLE ORGANIZATION: DFAS-CO-A

NAME OF RESPONSIBLE PROGRAM MANAGER: O'Laughlin, Jim, DLA,

NAME OF DFAS FUNCTIONAL AREA MANAGER: Keith Westby

DESCRIPTION OF DEPARTURE (s) AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Financial Reporting: Additional General Ledger Account Codes (GLACs are needed). Accounts Receivable: There is no Billing module for Retail Stock Fund. Cost Accounting: Cost data is not passing from BOSS to DBMS. System Documentation: Capital (Asset) Acquisitions generated in BOSS are not being electronically passed to the Defense Property Accounting System (DPAS). System Operations: Validation techniques built into the BOSS financial subsystem are not adequate to completely edit the transaction before it is passed to DBMS. User Information Needs: BOSS does not provide menu driven screen prompts. Budgetary Accounting: Validations within the BOSS financial subsystem are not adequate to edit budgetary records against DBMS. The impact of the departures is that BOSS is non-compliant with certain WCF policies including capital assets. Additionally, the lack of system interfaces results in manual processes which leads to untimely posting of transactions.

SOURCE(s) OF DISCOVERY OF DEPARTURE (s): DFAS-HQ review of BOSS as an interim migratory system candidate, May 1994. DFAS-HQ Richmond Detachment, FMFIA Review, April 1994. Accounting System Review/Electronic Questionnaire (ASR/EQ) (formerly System Manager/User Review).

CORRECTIVE ACTION (s) FOR DEPARTURE (s): Identify and fix the functionality that make BOSS non-compliant with WCF policy. The migration path has BOSS going from interim migratory to migratory status.

SCOPE OF CORRECTIVE ACTIONS (s):

Mission Supported: BOSS currently supports DLA Supply Centers, Depots, Support Centers and one Contract Management District. The system also supports DFAS-CO, several DCAA regions and OCONUS DoDDS contract payments. Appropriations supported by BOSS include WCF business areas 5C, 5B, 5N, 5M, O&M, PDA, R&D, and Retail Stock Fund.

Functions Performed: BOSS is an integrated system with a procurement, supply and financial module. Financial transactions are interfaced 1) from SRD-1 to BOSS; and 2) into DBMS for General Ledger posting and financial reporting for all appropriations except for the Retail Stock Fund and DoDEA appropriations.

PACE OF CORRECTIVE ACTIONS (s):

Year Identified: All annotated KAR departures were identified in FY 94

Targeted Correction Date (s) in Last Year's Report: FY 95

Current Target Date (s): FY 98

Reason for Change in Date (s): Implementation of all remaining WCF compliancy SCRs is scheduled for Mar 98 (in support of the BOSS ReHost Initiative).

CRITICAL MILESTONES IN CORRECTIVE ACTION (s):

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Implemented 11 SCR's reported in last year's report	10/96
<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
13 System Change Requests (SCR)	3/98
KAR #1 010 "Add Additional General Ledger Accounts to Trial Balance."	
KAR #3 027 "Create a Billing Module for Stock Fund"	
KAR #4 022 "Pass Unit Cost Data to DBMS"	
KAR #10 015 "Modify BOSS to Provide Interface to DPAS"	
KAR #11 037 "Improve Validation Edits of Financial Transactions"	
KAR #12 004 "Develop Menu Driven Screen Prompts"	
KAR #13 005R" Develop BOSS/DBMS Interface for Fund Authority and Control"	

VALIDATION PROCESS TO BE USED: System testing, Internal Control reviews, FMFIA reviews.

RESULTS INDICATORS: BOSS will become WCF compliant, meet system functionality and interface with other financial systems.

MAJOR ITEMS OF INTEREST: The Base Operating Support System (BOSS) was selected as an interim migratory system for the DLA retail supply business area by the DoD Comptroller on December 19, 1994. The Defense Logistics Agency (DLA) supports an initiative to rehost BOSS to an Open System environment no later than 1998. DSDC Central Design Activity in Ogden is currently working this action.

COLUMBUS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING, SUPPLY - WHOLESALE

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund, Supply - Wholesale,
Defense Fuel Automated Management System (DFAMS)

RESPONSIBLE ORGANIZATION: Defense Logistics Agency

NAME OF RESPONSIBLE PROGRAM MANAGER: Michael Earp, DFSC-RP

NAME OF DFAS FUNCTIONAL AREA MANAGER: June Linder

DESCRIPTION OF DEPARTURE (s) AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Financial Reporting: General Ledger account structure does not follow DOD's structure. Accounts for assets, liabilities, revenues, and expenses do not match that specified by current DoD regulations. Accounts Receivable - Significant differences exist between the subsidiary ledger and the General Ledger. Implement Budget and Accounting Classification Codes (BACC).

ENHANCEMENTS: General Ledger Control and Financial Reporting: Entering FY 2000 dates in the system. Modify DFAMS on-line X2A transactions. Modify transmission of DFAMS General Ledger. DFAM changes for Into-Plane and non-DOD defueling and reservice. System Controls (Fund and Internal): Restrict user on performing functions on invoices and identifies user ID. Examine disbursement voucher date of records on the Daily Transactions File. Create a listing of persons passing data from AVEDS to DFAMS. Audit Trails: Put indicators on files to tell viewer record has been flagged. Submit EFT payments in the CTX format. Create a nightly report listing of all disbursements made through AVEDS. Cash Procedures and Accounts Payable: System change to process an invoice against a CLIN through AVEDS. Modify system to display address in the view payments mode. EFT contractor payments for Posts, Camps, and Stations (PC&S). Value inventory of acquisition. Modification to XJ6, XJC, and XJD (Collections) Document Identifier Codes (DICs). Change Accounts Payable write-off process. Remove Fund Code check edit and change name on General Ledger Account XXX.013. Contractor address change. Automated Accounts Payable download. System Operations: System change to allow companies to pass data directly into AVEDS. Include the PCB and PCM records in the look up for CLIN validation. Change hard coding to flexible terms. User Information Needs: Expand monthly disbursement report to two pages. Current Fiscal Year transportation CONUS-GBL and O/A listing. Report gallons on Section IV of FIA. Record data for all fuels reports.

SOURCE(s) OF DISCOVERY OF DEPARTURE (s): Departures and Enhancements:
Accounting Systems Requirements/ Questionnaire.

CORRECTIVE ACTION (s) FOR DEPARTURE (s): System is being replaced in FY 1998 by Fuels Automated System (FAS) which will incorporate the standard General Ledger.

SCOPE OF CORRECTIVE ACTIONS (s):

Mission Supported: The primary purpose of the Defense Fuel Automated Management System (DFAMS) is to provide an automated, integrated and responsive system of procurement, inventory control, distribution and financial management to support the integrated material management of bulk fuel and petroleum products.

Functions Performed: DFAMS is a fully integrated system which provides automated validation/verification of data, exception processing, minimal document flow, audit trails, and flexible ad hoc inquiries. DFAMS is composed of several applications which parallel the functional processes which occur in the Defense Fuel Supply Center (DFSC) and interact with the Defense Fuel Regions (DFRs), the Defense Fuel Support Points (DFSPs), the Military Services and Federal Agencies (which are the customers of DFSC). These applications are Active Contract, Transaction Recording, Disbursement and Refunds, Billing and Collections, Transportation/Service Expense, General Ledger, and Funds Control.

PACE OF CORRECTIVE ACTIONS (s):

Year Identified: FY97

Targeted Correction Date (s) in Last Year's Report: N/A

Current Target Date (s): FY98

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION (s):

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Obtain Board approval from DFAS-HQ for FAS.	5/96
Identify FAS interfaces with DFAMS.	5/97
<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
Implementation of Bunkers portion of FAS.	10/97
<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Implementation of remaining portions of FAS.	9/98

VALIDATION PROCESS TO BE USED: Quality Control Reviews (QCRs) and actual usage by functional area.

RESULTS INDICATORS: Meet regulatory requirements and increase the accuracy of financial data and statements.

MAJOR ITEMS OF INTEREST: The Fuels Automated System (FAS) has been designated as a migratory system and implementation is scheduled for April 1998. DFAS-CO-S is participating in the DLA Program Office determination of total requirements for this new system. DFAMS has been designated as the management accounting interim migratory system for the supply-wholesale accounting of fuel.

COLUMBUS MIGRATION SYSTEM and COMPLIANCY STRATEGY for CONTRACT ENTITLEMENT

FINANCIAL MANAGEMENT FUNCTION: Contractor Entitlement, Mechanization Of Contract Administration Services (MOCAS)

RESPONSIBLE ORGANIZATION: Defense Logistics Agency

NAME OF RESPONSIBLE PROGRAM MANAGER: Kunihiro, Ron

NAME OF DFAS FUNCTIONAL AREA MANAGER: David Younce and William P. McGee

DESCRIPTION OF DEPARTURE (s) AND IMPACT ON AGENCY OPERATIONS:

Accounts Receivable: (Project Officer: Alita Greene) The GAO report listing \$600 million in refunds from contractors for overpayment to contracts provided the basis for this departure. In FY 96 (through EOM April), there were \$126 million of returned refunds applicable to payment office errors occurring after July 1, 1993. Based on contract payments of approximately \$39 billion in disbursements for the same time period in FY 96, this amounts to an error rate of .3 of 1%. One system change (SCR UNOOH3-027) was initiated in July 1993 and completed in May 1995 to correct the system portion of this departure. The system now determines if a work in progress line (WIP) is present if no recoupment is made. The system portion of the departure is considered complete. Additional actions taken to reduce overpayments with resulting funds returned by the contractors are: oversight on all returned checks to identify and correct the root causes; continually training employees; strengthening our internal procedures. A .15% of disbursements error rate resulting in returned checks has been established as our goal. This was achieved in February and March 1996. The Quality Assurance Division will continue to conduct periodic reviews in this area. We anticipate closure at the end of this fiscal year based on our continued reviews of high dollar payments.

Accounts Payable: (Project Officer: Steve Kreim) As of July 21, 1997, MOCAS had 2,483 contracts with a contract level Negative Unliquidated Obligation of \$545,872,127.91. Preliminary analysis determined that 908 of these NULOs valued at \$381,910,173.790 were resolvable. The resolvable portion is based upon a comparison of the existing NULOs to the Bill of Collections Listing and current contracts in the reconciliation listing to be audited. We further identified contracts which are in litigation for resolution. The final portion that is resolvable is associated to contract level NULO's in which the contract contains canceled appropriations. The NULO amounts were inflated as a result of previous internal control procedures prior to systemic enhancements installed in FY 96 to the MOCAS system.

System Controls: (Project Officer: Jim Hunter) Public Law 104-134, requires certain contract payments be made EFT and will apply to payments made under most new contracts issued on or after July 26, 1996.

SOURCES OF DISCOVERY OF DEPARTURE (s): GAO, DoD-IG and DFAS Internal Management Control Reviews.

CORRECTIVE ACTION (s) FOR DEPARTURE (s):

SCOPE OF CORRECTIVE ACTION (s):

Mission Supported: Mechanization of Contract Administration Services (MOCAS) is an automated system used in the administration and payment of supply and service contracts.

Functions Performed: MOCAS provides the buying, funding and receiving activities with the following data: Contract Obligation and Unliquidated amount. Contract Delivery Schedule. Quality problems and workload. Shipments Accepted. Contractual Actions. Contract Payment History and Closing Data. Financial Reports for the Military Services and the U. S. Treasury.

The MOCAS system at Columbus Center processes 1.2 million invoices annually while disbursing approximately \$35 million every hour serving customers for the Army, Air Force, Navy, and Defense Logistics Agency.

PACE OF CORRECTIVE ACTION (s):

Year identified: Accounts Receivable and Accounts Payable FY93; System Controls FY97

Targeted Correction Date (s) in Last Year's Report: Accounts Receivable and Accounts Payable - Ongoing. Systems Controls - N/A.

Current Target Date (s): Accounts Receivables- All milestones completed. Individual refunds will continued to be reviewed. Accounts Payable Departure - Plan of actions for NULOs indicates 1999 for completion of all actions. System Controls- Plan of action for EFT contract payments indicates 1999 for completion.

Reason for Change in Date (s):

Overpayments to contractor can be due to any singular action within the contract process. Correcting these overpayments is usually a one for one process. We review each overpayment individually and whenever we see a trend, that problem is corrected immediately. However, most overpayments can not be corrected by any singular milestone. We will continue to review each, but we will probably never eliminate the problem completely because the overall process is not solely a payment office function.

Many of the changes targeted for correcting negative unliquidated obligations (NULOs) have slipped due to the implementation of Public Law 103-335 which required prevalidation of disbursements of \$5 million or more. This law, while impacting some of the on-going changes, will have a positive effect in the long term by bringing disbursing records into agreement with accounting records thus helping to eliminate future NULOs.

The MOCAS plan for the prevalidation of invoice payments against contracts issued prior to FY97 was submitted to Congress on March 30, 1997. The detailed plan will lower the

prevalidation threshold in million dollar increments each fiscal year until reaching “zero” in 2000. Additionally, beginning with FY97, the “zero dollar” prevalidation threshold will be enacted for all payments for contracts awarded with each new fiscal year. According to the plan, the prevalidation workload will substantially increase and eventually include all contract payments by 2000.

These two initiatives, in addition to the continuous coordination of research on-going between Columbus Center and the accounting activities, should help to reduce NULOs and UMDs.

CRITICAL MILESTONES IN CORRECTIVE ACTION (s):

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Implement system controls to determine if a work in progress line is present if no recoupment is made.	5/95

<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
Prevalidation has been implemented and the process continues to be refined.	on-going
Reconciliation has been identified as a new material weakness, however, DFAS-CO milestones have yet to be developed pending high level guidance. The reconciliation backlog as well as the standardized process should be resolved in time for implementation of DPPS.	

<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
DFAS-CO-JXSA, DSDC, and DLA to finalize Program Development Plan (PDP) for FY 97.	9/98

It should be noted that the PDP is subject to change depending on priorities and availability of resources. SCRs not implemented in FY 97 will be considered in the FY 98 PDP.

VALIDATION PROCESS TO BE USED: Quality Control Reviews(QCRs) and monitoring reports that illustrate level of errors for both departures.

RESULTS INDICATORS: Meet regulatory requirements, improve the accuracy of contract financial data and reducing the number of NULOs being processed.

MAJOR ITEMS OF INTEREST:

Prevalidation of obligations:

Section 8137 of Public Law 103-335 contains a provision that not later than July 1, 1995, the Secretary of Defense shall require that each disbursement in excess of \$5,000,000 be matched (prevalidated to a particular obligation) before the disbursement is made. The law also provides

that the Secretary of Defense may waive this requirement within certain specified cases such as a disbursement involving deployed forces.

Prevalidation of all invoices of \$5 million or more became effective in July 1995. In FY97, as of July 31, 1997, we have prevalidated over 115,000 MOCAS invoices for a gross invoice value of over \$26 billion. In addition, we are preparing for the increase in volume of invoices to be prevalidated with the FY 98 “zero dollar” threshold, effective on October 1, 1997.

Negative Unliquidated Obligations:

We have identified 16 contracts that account for \$129 million of the NULO amount and have placed them in the reconciliation backlog. System Change Request (SCR) UYF046-003 to validate that sufficient unliquidated obligations exist on the overall contract prior to disbursement was recently installed.

COLUMBUS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING, SUPPLY - WHOLESALE

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund, Supply - Wholesale,
Standard Automated Material Management System (SAMMS)

RESPONSIBLE ORGANIZATION: Defense Logistics Agency

NAME OF RESPONSIBLE PROGRAM MANAGER: O'Laughlin, Jim, DLA

NAME OF DFAS FUNCTIONAL AREA MANAGER: Alan Nissen

DESCRIPTION OF DEPARTURE (s) AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Financial Reporting: Use of non-standard General Ledger - General ledger does not follow account structure for prior period adjustments, extraordinary items, etc. Inventory in Transits- Financial reports do not include all inventory transactions that occur during a period. Implement Budget and Accounting Classification Codes (BACC).

ENHANCEMENTS: General Ledger Control and Financial Reporting: Entering FY 2000 dates in the system. Perform prevalidation. Meet IRS 1099 reporting requirements. SAMMS/SAMMSTEL, SRD-1, interfaces. New subsidiary accounts to track reimbursable programs. Consolidated general ledgers. Evaluated Receipt Settlement. Property and Inventory Accounting: Adjustments to GFM file. Accounting for Receivables: SAMMS/SAMMSTEL, SRD-1, STANFINS interfaces. FY 96 MILBILLS adaptive modification. The DSCC CDAR unique program should be adapted and modified into a standard SAMMS program. Program to automatically compute port and ocean charges on non-interfund bills. Program to automatically compute and print interest due on delinquency notices for non-interfund bills. Comparison of Payment Control Suspense File to Claims Receivable database. System Controls (Fund and Internal): Reversal capability of erroneous YPP transactions. Cash Procedures and Accounts Payable: Expand DIC YXB with additional categories to allow appropriate claims reporting. Activation of conversion factors for dual units of issue. System Operations: Implement SAMMS Strategic Business Plan. Pass invoice receipt date from Financial subsystem to Supply application. User Information Needs: Creation of a quantity field on the additive cost inquiry screen.

SOURCE (s) OF DISCOVERY OF DEPARTURE (s): Departure and Enhancements:
Accounting Systems Requirements/Questionnaire.

CORRECTIVE ACTION (s) FOR DEPARTURE (s):

SCOPE OF CORRECTIVE ACTIONS (s):

Mission Supported: SAMMS supports Defense Logistics Agency (DLA) wholesale supply business areas covering six commodities which are construction, electronics, general, industrial, medical, and clothing and textile.

Functions Performed: SAMMS contains five operational subsystems which are technical, requirements, distribution, procurement and financial. The functionality contained in the financial subsystem includes contract payment, funds control, inventory accounting, accounting for payables and receivables, reporting and general ledger.

PACE OF CORRECTIVE ACTIONS (s):

Year Identified: General ledger Control and Financial Reporting FY89; Inventory in Transits FY94.

Targeted Correction Date (s) in Last Year's Report: General ledger Control and Financial Reporting and Inventory in Transits FY97.

Current Target Date (s): General ledger Control and Financial Reporting none; Inventory in Transits FY99.

Reason for Change in Date (s): The current target date for General ledger Control and Financial Reporting was changed from 1997 to none. General ledger Control and Financial Reporting will be corrected through the implementation of SCR USFOH9-570. This SCR was previously funded with Military Interdepartmental Purchase Request (MIPR) X05CCC595024MP dated May 24, 1995, for an amount of \$597,000. DFAS-HQ placed this project on hold on December 19, 1996. There is no estimated completion date for SCR USFOH9-570.

Several attempts to correct Inventory in Transits have failed. Extensive research has been performed to determine the cause(s) of the problem(s). Analysis disclosed the GLAC 141 problem(s) should be worked as a maintenance item instead of a system change (SCR S-96-051). This maintenance item was funded with MIPR XA7CCC29720MP dated July 25, 1997, for an amount of \$27,131. DLA System Design Center (DSDC) proposed the creation of a new reconciliation process in order to correct the imbalances in GLACs 141 and 142. GLAC 142 was funded with MIPR XA7CCC297120MP dated March 6, 1997, for a total of \$27,063.

CRITICAL MILESTONES IN CORRECTIVE ACTION (s):

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Inventory in Transits:	
Reconciliation of Intransit was determined to be out of balance with GLAC 142 since inception in 1994.	1/94
DFAS-CO-S Technical Support Operations Branch (STT) requests Defense Information Services Organization (DISO) to perform a records count of the distribution and financial files to determine if all records are included in each file.	6/94

STT and DLA Systems Design Center (DSDC) reviewed the file calculations for errors which may exist in the formula which computes inventory intransit cost. The inventory intransit cost currently is being computed at quantity times the unit price. In some instances \$1.00 is added to the cost. No consistent pattern exists for the \$1.00 cost.	6/94
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DMC completed the comparison of the distribution and financial files as requested. DMC concluded there were 200 more records in the Billing Adjustment Allowance Suspense (BAAS) file opposed to what was reflected in the Due-In file.	9/94
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Performed a complete analysis of the comparison provided by DMC (in 9/94 milestone) and made a determination of corrective actions required for GLACs 141 and 142, inventories intransit. Unknown/undetermined system problems associated with incorrect inaccurate subsidiary reports were coordinated with DSDC. The results of this coordination is still under review.	9/95
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Initiated a system change request for GLAC 141 condition (SCR No. S-96-051).	3/96
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Initiated a system change request for GLAC 142 condition (SCR No. S-96-055).	7/96
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Received funding for the GLAC 142 maintenance item. On March 6, 1997, DFAS-CO-ERFL sent MIPR XA7CCC297210MP totaling \$27,063 to DSDC. DSDC provided an estimated completion date.	01/98.
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Received funding for the GLAC 141 maintenance item. On July 17, 1997, DFAS-CO-ERFL sent MIPR XA7CCC297201MP totaling \$27,131 to DSDC. DSDC has not provided an estimated completion date for this item.	TBD
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<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
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General Ledger Control and Financial Reporting

Implement new series of General Ledger Accounts to meet requirements of U.S. Government Standard General Ledger.	None
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Inventory in Transits:

Establish and implement procedures to reconcile the subsidiary records to GLACs 141 and 142 once DSDC has completed an analysis and a corrective action plan.	8/99
Perform the necessary corrective actions to reconcile the subsidiary records to GLACs 141 and 142.	8/99
Written submissions will be provided to DFAS-CO-STQ periodically through the date of the correction.	8/99
Validate all corrective actions.	8/99

VALIDATION PROCESS TO BE USED: Quality Control Reviews (QCRs) and actual usage by functional area.

RESULTS INDICATORS: Meet regulatory requirements and increase the accuracy of financial data and statements.

MAJOR ITEMS OF INTEREST:

The implementation of the SCR to convert the current standard chart of accounts to the DoD standard general ledger chart of accounts was funded in 1995. DLA is in the process of identifying the account structure. DLA placed the project on hold on 12/19/96. Plans to implement the account structure are DLA wide.

An SCR (S-96-051) for Inventory in Transits was initiated for GLAC 141. An analysis in coordination with DSDC disclosed the GLAC 141 problem should be worked as a maintenance item instead of a system change. This maintenance item was funded with MIPR XA7CCC29720MP dated July 25, 1997. DSDC believed the only way to ensure the reconciliation of GLACs 141 and 142 would be to create a new reconciliation process. The reconciliation process would identify the detail records which are out-of-balance and create automated adjustments at the detail level. The process would be similar to the existing F-3-1 report which reconciles the National Inventory Record (NIR) and Financial Inventory Record (FIR) for stock on-hand. The GLAC 142 maintenance item has been funded with MIPR XA7CCC297120MP dated March 6, 1997.

COLUMBUS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING, SUPPLY - WHOLESALE

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund, Supply - Wholesale,
Defense Integrated Subsistence Management System (DISMS)

RESPONSIBLE ORGANIZATION: Defense Logistic Agency

NAME OF RESPONSIBLE PROGRAM MANAGER: Betsy Smith, DLA

NAME OF DFAS FUNCTIONAL AREA MANAGER: Shelia Gallagher

DESCRIPTION OF DEPARTURE (s) AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Financial Reporting: The General Ledger account structure does not follow DOD's structure. Accounts for assets, liabilities, expenses, and revenues do not match those specified by current DOD regulations. No automated integrated accounting system exists. Control accounts are not all supported by detailed subsidiary ledgers. Implement Budget and Accounting Classification Codes (BACC). Property and Inventory Accounting: Adjustments to the general ledger inventory accounts are recorded as physical inventory adjustments rather than miscellaneous gains and losses. Financial, distribution, and inventory records are not integrated. There is no inventory subsidiary ledger. Insufficient inventory information is available to record depreciation. Accounting for Receivables: The billing system is not integrated with the manual accounting system. Posting of accounts receivable transactions is accomplished through manual processes. Accrual Accounting: The system does not provide for automatic notice of delivery. Duplications can occur since data is posted at the summary level. System Controls: The system is not adequately documented. Internal controls are deficient allowing errors to occur. Programs are not reviewed or updated on a regular basis. Audit Trails: The system does not provide audit trails. There is no automated integrated accounting system. The written procedures are inadequate. Cash Procedures and Accounts Payable: There is no automated accounts payable module in DISMS. Accounts payable are recorded as summary amounts based on information provided by the Commodity. The entitlements system allows duplicate payments. The accounts payable accounts are not supported by a detailed subsidiary ledger. System Documentation: The system is not adequately documented. Operating procedures are out of date and have not been reviewed or revised since they were first written. Operations manuals are not available to users and desk procedures are not adequate. The financial system has not been fully implemented. System Operations: The financial system is not modern, efficient, or cost effective. Accounting functions are not automated. The system lacks necessary on-line and ad hoc capabilities. The procedures that are automated are updated by batch processes. The system cannot be easily and quickly adapted to meet changing needs. User Information Needs: The system is not meeting all critical needs. The system does not provide real time capabilities, ad hoc reporting, interfaces between systems or integration of existing modules. Financial statements are not generated by the system. Budgetary Accounting: The general ledger account structure does not follow DOD's structure. Budget transactions are tracked and controlled using the DLA chart of accounts. The system does not report budget to actual because there is no automated integrated accounting system.

ENHANCEMENTS: General Ledger Control and Financial Reporting: Entering FY 2000 dates in the system. Perform prevalidation. Increase control on non-GBL transportation activity. Add information to ULO screen. Provide a fully integrated financial system. Enhance "back door" application to carry edits. Pro Forma entries for DOD GLACs. Accounting for Receivables: Identify pricing impact between depot stock items and local purchase items. Eliminate Fresh Fruit & Vegetables routines that strip surcharge. Change billing systems to provide NIF billing. Modify to install transportation surcharges. Update Billing Fund Code Table. Accrual Accounting: Cash Procedures and Accounts Payable: Electronic funds transfer process used with request from vendors for ILO payment by check. Change system to report vendor's interest. Provide criteria to support multiple calls. Establish elements for GLACing undelivered orders and accounts payable for ULO's. Allow claims inquiry by vendor code and check number. Change RTP for manual expenditures. Requirements for L-Coded DVD and quarterly pricing. Changes to price list. Establish Part V of Price List. Change print sequence to include Remit-to-Code. Verify interest calculations. Correct screens to display minus sign when applicable. Allow partial payment when prevalidation is delaying a portion of the payment. Evaluated receipt settlement. Add fields to capture TIN information. Provide FAR compliance in calculating PPA interest. Adjust check print to comply with regulatory requirements. System Operations: Transmit monthly and quarterly price changes.

SOURCE (s) OF DISCOVERY OF DEPARTURE (s): DFAS-CO-S/Federal Managers Financial Integrity Act. Defense Personnel Support Center (DPSC). DFAS-Headquarters/Federal Managers Financial Integrity Act. Division AAF - Richmond Detachment. System Manager User Review

CORRECTIVE ACTION (s) FOR DEPARTURE (s): Implement Increment VI which will make the necessary adjustments to the Defense Integrated Subsistence Management System (DISMS) for an adequate accounting system or replace DISMS with a Commercial Off the Shelf System (COTS) which will provide a fully functioning accounting system.

SCOPE OF CORRECTIVE ACTIONS (s):

Mission Supported: DISMS supports the mission of furnishing supplies to customers.

Functions Performed: DISMS provides for the procurement and distribution of subsistence items world-wide for troop issue, commissary support, and civil agencies. DISMS is an on-line data base management system that integrates all aspects of processing. DISMS consists of four major subsystems as follows which are distribution, requirements, procurements, and financial (not implemented). The computer system uses a three-tier architectural structure. Information can be accessed to and from the DISMS mainframe, midtier, and micro computers.

PACE OF CORRECTIVE ACTIONS (s):

Year Identified: FY92.

Targeted Correction Date (s) in Last Year's Report: 10/98

Current Target Date (s): Indefinite

Reason for Change in Date (s): Increment VI was not funded as anticipated in FY 1997; the anticipated implementation is now indefinite. Increment VI was designed to implement an acceptable automated accounting system for DISMS. DISMS may be replaced by a COTS. The option and date of implementation will be determined by an Analysis of Alternatives Study to be completed in the near future.

CRITICAL MILESTONES IN CORRECTIVE ACTION (s):

<u>Planned actions/events (short term)</u>	<u>Planned Completion Date</u>
Implement the Standard Automated Billing System (SABILLS), Phase I and Phase II. SABILLS will incorporate the DLA directed standard billing module.	10/97

<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
Implement increment VI which will affect all departures and will include the following:	Indefinite

Automation of all DISMS financial account assignment by transaction to the DoD standard chart of accounts.

Real time updating of general ledger accounts.

Automation of the trail balance/general ledger.

Total system validation and integration.

Increased accountability and audits.

Incorporation of Government Furnished Material (GFM) concepts and files.

Alternate Plan Being Considered - replace DISMS with a COTS which will provide a fully functioning accounting system.

VALIDATION PROCESS TO BE USED: Corrective action will be validated by the users and certified by the components.

RESULTS INDICATORS: Implementation of Increment VI or a purchased accounting system which will provide an acceptable automated accounting system.

MAJOR ITEMS OF INTEREST:

The enhancement of DISMS was planned to be implemented in six increments. Increments I through V have been completed and moved into a production environment. Increment VI was not funded for the planned implementation in fiscal year 1995. It received funding in December 1995 but its anticipated implementation is now indefinite. Only a portion of DISMS is operational and this excludes the planned automated accounting system. The planned DISMS has been designed using state of the art database concepts and supports both real time and batch processing with its associated real time updating. DISMS will use a fully integrated design to eliminate data redundancy while using a three tiered architecture (mainframe, midtier, and micro computer) to support system processing.

The system currently incorporates budgetary funds control, voucher examination, disbursing applications, and a vendor claims process. Increment VI will incorporate full control and audits of the accounting system (general ledger, inventory, etc.) aspects of the system. Consequently, system evaluation and certification will not be attainable until the full implementation of Increment VI.

COLUMBUS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND-DISTRIBUTION DEPOTS, SUPPLY MANAGEMENT, INFORMATION SERVICES

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund-Distribution Depots, Supply Management, Information Services, Defense Business Management System (DBMS)

RESPONSIBLE ORGANIZATION: DFAS-CO-C

NAME OF RESPONSIBLE PROGRAM MANAGER: Thomas J. Joyce, DFAS-CO-C

NAME OF DFAS FUNCTIONAL AREA MANAGER: Estefanie B. Duncan

DESCRIPTION OF DEPARTURE (s) AND IMPACT ON AGENCY OPERATIONS: General Ledger and Financial Reporting: Implement DoD Standard General Ledger Account Structure. General ledger account structure does not follow DoD Standard General Ledger account structure.

SOURCE(s) OF DISCOVERY OF DEPARTURE (s): System Manager/User Review (SM/UR), Audits

CORRECTIVE ACTION (s) FOR DEPARTURE (s): Preconditioning for conversion to the DoD Standard General Ledger account structure- SCR 93-0099 will take place in DBMS release 7.0., which is scheduled for July 1996. Phase I.

ENHANCEMENTS: Accounting for Receivables including Advances: Billing Phase I-III. Travel System Interface. Cost Accounting: Unit Cost enhancements Phase I and II. Variance Analysis Phase I and II. Military and Civilian Payroll Procedures: Conversion to a Standard Pay. Data Bank update modification. Automatic SSN check Databases. Transition to DCPS/DCPPS. Cash Procedures and Accounts Payable: Interfund front end process. Interfund interface. EDIPAC Prevalidation Obligation. user Information Needs: Revision report, detail manhours (UPCE 100A). Daily trial balance by activity code. Change to DBMS report 197.

SCOPE OF CORRECTIVE ACTIONS (s):

Mission Supported: DBMS support six Working Capital Fund (WCF) business areas. The six business areas are: 1) Defense Distribution Regions; 2) Supply/Service Center; 3) Defense Commissary Agency (DECA) Operations; 4) Financial Operations; 5) Industrial Plant Equipment; and, 6) Reutilization and Marketing.

Functions Performed: DBMS financial information assists in the management and execution of WCF business functions. Primary DBMS functions include accounting, cost accounting, payroll, personnel, and manpower. All DBMS Subsystems, except the Personnel Subsystem perform finance and accounting related functions.

DBMS interfaces with the Standard Finance System (STANFINS) - Redesign One (SRD-1), Base Operations Support System (BOSS), Defense Property Accountability System (DPAS), and

Uniform Automated Data Processing System (UDAPS E&F). Interfund Disbursement, Electronic Commerce/Electronic Data Interchange (EC/EDI) commitment and expenditure transactions from requisitions systems and procurement systems, and Accounting Prevalidation module (APVM) for unliquidated obligation amount (availability of funds).

PACE OF CORRECTIVE ACTIONS (s):

Year Identified: FY93

Targeted Correction Date (s) in Last Year's Report: None

Current Target Date (s): 5/98

Reason for Change in Date (s): N/A

CRITICAL MILESTONES CORRECTIVE ACTION (s):

<u>Completed actions/events</u>	<u>Actual Completion Date</u>
Completed the DBMS mainframe interfund disbursement interface.	10/95
Conversion to standard pay period.	05/96
Standard General Ledger - Phase I: Expansion of the general ledger account code field from six positions to ten positions as required to accommodate the DoD Standard General Ledger account structure. Release 7.0.	07/96
Automated Billing Subsystem - Phase I: Preconditioning DBMS for future releases. This upgrade is large in scope, and will be accomplished in three or four phases. Release 7.0	07/96
Non Costed Report: Generate a report to reflect the Non-Costed Employees/ Task Code Non-Costed Output Requirements Report. The report will reflect noncosted information by object class code and hour categories at three different levels: activity, office, and SSN.	07/96
EDI Phase I: Enable DBMS to allow for receipt and transmission of data incorporating Electronic Commerce/Electronic Data Interchange (EC/EDI) formats.	10/96
EC/Prevalidataion of Obligations Phase I (TBO): Enable systems external to DBMS to prevalidate obligations within DBMS.	10/96
EDIPAC Prevalidation of Obligation: Enable DBMS to allow for prevalidation of obligations by EDIPAC. The enhancement will reduce the negative	

unliquidated obligations, duplicate disbursements, and volume of documents violated due to not being in DBMS.	07/96
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DCPS interface and transition to DCPS/DCPDS:

Phase I	10/96
Phase II	01/97
Phase III	06/97
Phase IV	07/97

<u>Planned actions/events (short term)</u>	<u>Planned Completion Date:</u>
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Standard General Ledger - Phase II: Will provide the means to transfer, eliminate prior year M account balances in accordance with regulatory.	10/97
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Billing Phase II: Develop a process to automatically generate reimbursable billing including calculating amount billed, accepting automated work counts, and establishing fixed rates for specific outputs and products.	12/97
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Standard General Ledger - Phase III: Will be the initial step necessary to facilitate the transition to the SGL.	FY98
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Implement Budget and Accounting Classification Code(BACC) involving expansion, conversion, and establishment of data elements.	FY98
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<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
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Billing Phase III: FY 98 upgrades will include the migration and processing for additional Category of Billings (i.e., Percentage of completion, job Order / Actual Expense).	10/98
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Year 2000 Changes Provides for changes in order to keep DBMS operational in Fiscal Year 2000. Changes include modifications to the file structure and other related software which is utilized to support DBMS.	10/98
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Prevalidation of Obligations Phase II: Pre-Validation for Vendor Pay, CAPS will be processing Disbursement by Self creating Function Code F207 within DBMS.	10/98
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Travel Reengineering: Modification of DBMS to accommodate Travel-Reengineering. Additional mapping and programming for the 824 Transaction Set.	10/98
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DCPS/DCPDS Interface/Conversion: Completion of DCPS conversion for DCAA, DeCA, DLA, and EOP.	10/98
Standard General Ledger - Phase IV: Final Phase of the conversion to Standard General Ledger. During this phase the conversion of pro-forma entries for all existing functions to use SGL accounts will take place.	10/99
Automated Billing System Phase IV: Automated Billing System upgrades will include identifying sources of customer funding.(Revenue recognition which include expenses versus obligations).	10/99
EC/EDI PHASE III: Defense Transportation System is capable of providing 858 EC/EDI transactions (TBO). DBMS requires programming to automate the posting of commitment, obligations and expenses.	10/99
Cost Phase I: Develop General requirements/Design, review and approval.	10/99
Cost Phase I: Recording of Direct Costs(Labor and Nonlabor) against a final cost objective, providing for recording Indirect Costs and General & Administrative Costs.	11/00
Cost Phase II: The second phase will include a revised process of revenue recognition and the associated establishment of of the receivable which will include expenses versus obligations, percentage of completion, actual expenses, and a fixed rate per unit. A process will also be provided to analyze variance between actual expenses and revenues.	10/01
<u>VALIDATION PROCESS TO BE USED:</u> Conduct System Acceptance Test (SAT) prior to release. System Manager User Guide (SM/UR) and Audits.	
<u>RESULTS INDICATORS:</u> Compliance with the DoD Standard Ledger.	

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

DENVER CENTER
SECTION
C-4

DENVER MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund (WCF) - Depot Maintenance/Air Force Aviation Depots (Migration system - to be determined; legacy systems - eight).

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Denver Center (DFAS-DE)

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. A. W. Landrigan, DFAS-DE/AAB, DSN 787-7472

NAME OF DFAS FUNCTIONAL AREA MANAGER: Mr. Terry Keithley, DFAS-DE/AA, DSN 787-4461

TITLE(S) AND KAR(S) OF DEPARTURES(S):

1. Specific departures were not reported for seven of the eight depot maintenance legacy systems.
2. The following departure was reported for the Maintenance Labor Distribution and Cost System (G037G - FMFIA Control #F093): Dual Entry into the Payroll and Cost Distribution Systems (KAR 7 Internal Control)

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS:

1. General Ledger Control and Financial Reporting (KAR 1), Property and Inventory Accounting (KAR 2), Cost Accounting (KAR 4), Accrual Accounting (KAR 5), Audit Trails (KAR 8), System Documentation (KAR 10), and System Operations (KAR 11). Legacy systems are utilized for managing Air Force Depot Maintenance financial records. Integration and reconciliation of such systems is inefficient and has a high potential for error.
2. The Maintenance Labor Distribution and Cost System (G037G) was scheduled to be replaced by the Depot Maintenance Management Information System (DMMIS), but this project was canceled. Since this time, the applicable payroll system changed to the Defense Civilian Pay System (DCPS), and a void was incurred that has created the requirement for dual entry into the payroll and Air Force Materiel Command (AFMC) Depot Maintenance Activity Group (DMAG) Time and Attendance (H117) systems. Auditors have determined that not all data is being entered into H117. Reconciliation of the systems' report verify this finding. Therefore, the interface to G037G does not contain all the applicable transactions for distribution of labor to the applicable Resource Control Center (RCC). This subsequently has an impact on the sales rate charged by the AFMC DMAGs, which is developed using the G037G data.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, and Chief Financial Officers (CFO) Financial Statement Audits - AFAA Project 94068018, Opinion on Air Force WCF FY 93 Inventories Not Held For Sale Balance and associated Air Force audits, and AFAA Project 94068025, Air Force Depot Maintenance Service, FY 93 Material In-Transit Balances.

SUMMARY OF PLANNED CORRECTIVE ACTION(S):

1. Integrate Air Force mixed feeder systems and DFAS-DE finance and accounting systems into a single interim migratory system for the DMAG. The interim migratory system will be modified to incorporate the DoD Standard General Ledger chart of accounts, Standard Budget and Accounting Classifications Codes (BACC), and improvements to redress other deficiencies noted by both users and auditors. We will also ensure upgraded systems interface to other accounting systems and support systems, such as logistics, procurement, and contracting.
2. The Time and Attendance Reporting System (H117) is now an approved SDA for interface to the DCPS. This requirement is in the testing phase and will be implemented at the Air Logistics Centers (ALCs) beginning with the first full pay period of FY 98 (12 Oct 97).

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Air Force WCF Aviation Depot Maintenance accounting and financial reporting on business operations.

Functions Performed:

1. Air Force Working Capital Fund Depot Maintenance accounting and financial reporting on business operations (general ledger accounting, property and inventory accounting, cost accounting, fund control, accounting for accounts receivable and accounts payable, budget execution and expenditure accounting, and financial reporting).
2. Provide complete labor data for costing and labor distribution.

PACE OF CORRECTIVE ACTION(S):

Year Identified: 1. FY 94; 2. FY 96

Targeted Correction Date in Last Year's Report: 1. FY 2000; 2. September 30, 1997

Current Target Date: 1. To be determined (TBD); 2. September 30, 1997

Reason for Change in Date(s):

1. DMMIS was rejected as the interim migratory system for the DMAG, Air Force. DFAS-HQ is currently working with SAF personnel to finalize selection of another system.
2. N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Migration: Initiate action to replace legacy systems with interim migratory system. Participate in DFAS Financial Systems Plan and Corporate Information Management (CIM) initiatives.	FY 94
Completed data extract for G072D redesign	FY 97

Departures: DCPS interface with legacy Time and Attendance System placed in production at San Antonio Air Logistics Center -- Scheduled for implementation at other four ALCs October 1997 (Inbound and Outbound)	Sep 97
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<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
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Migration: Continue to sustain legacy operating systems.	FY 98
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<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
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Migration: DMMIS was rejected as the interim migratory system for the DMAG, Air Force. DFAS-HQ is currently working with SAF personnel in the system selection process.	TBD
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Replace the following legacy systems with an interim migratory system:	TBD
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Air Force Industrial Fund General Ledger System (B)-base level	TBD
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Depot Maintenance Budget and Management Cost System	TBD
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Maintenance Labor Distribution and Cost System	TBD
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Workload Planning and Control System	TBD
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Depot Maintenance Production Cost System	TBD
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Maintenance Actual Material Cost System	TBD
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Job Order Production Master System	TBD
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Project Order Control System	TBD
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Time and Attendance Reporting System	TBD
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<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
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Departures: Implementation of DCPS interface with Time and Attendance System at Tinker ALC, Ogden ALC, Sacramento ALC, Warner Robins ALC.	10/97
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VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews. All affected system users will participate in testing, as well as SDA and receiving system personnel.

RESULTS INDICATORS:

Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST: Interface will eliminate the dual input currently required, thereby saving dollar and personnel resources. It also will ensure all applicable costs are distributed to Resource Control Centers (RCCs) and available for inclusion in the formula used to develop future sales rates.

DENVER MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund - Supply Management, Air Force/Retail - Standard Materiel Accounting System (F120)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Denver Center (DFAS-DE)

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Gary Amlin, DFAS-HG/D Commercial (703) 604-2097

NAME OF DFAS FUNCTIONAL AREA MANAGER: Mr. Paul Duggan, DFAS-DE/AMF, DSN 926-8935

TITLE(S) AND KAR(S) OF DEPARTURE(S): Financial Accounting for Inventory Held for Sale. Inadequate On-Line History Records in the Standard Materiel Accounting System (SMAS).

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Financial Reporting (KAR 1); Accounting for Receivables Including Advances (KAR 3); Systems Controls (KAR 7); Audit Trails (KAR 8); Cash Procedures and Accounts Payable (KAR 9); and System Operations (KAR 11). Internal control weaknesses and inventory management impact the accuracy and credibility of financial statements. The lack of adequate inventory records for loaned assets to support the \$2.4 billion Inventory Not Held For Sale reported in the financial statements has been identified in several audits. Retention of on-line history records and the mechanism for removing those on-line history records is inadequate. Since the history records are not always available duplicate processing and GLA updates for prior period transactions could occur.

SOURCE OF DISCOVERY OF DEPARTURES(S): System Manager/User Reviews, Chief Financial Officers (CFO) Financial Statement Audits - Air Force Audit Agency (AFAA) Project 93068016, Financial Reporting of FY 93 Inventories within the Supply Management Business Area, AFAA Project 94068017, Opinion on Air Force DBOF FY 93 Inventories Held for Sale Balance, and AFAA Project 94068018, Opinion on Air Force DBOF FY 93 Inventories Not Held For Sale Balance.

SUMMARY OF PLANNED CORRECTIVE ACTION(S): SMAS, a migratory system will be modernized to incorporate the DoD Standard General Ledger chart of accounts, Standard Budget and Accounting Classifications Codes, and improvements to redress other deficiencies noted by both users and auditors. We will also ensure the interim migratory system interfaces to other accounting systems and support systems, such as logistics, and contracting.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Accounting and financial reporting for Air Force Retail Supply Management Business Area.

Functions Performed: SMAS performs Retail Supply Management general ledger accounting, property and inventory accounting, cost accounting, fund control, accounting for

accounts receivable and accounts payable, budget execution and expenditure accounting, and financial reporting.

PACE OF CORRECTIVE ACTION(S):

Year Identified: Financial Accounting for Inventory Held for Sale; FY 94. Inadequate On-Line History Records in SMAS; FY 97.

Targeted Correction Date in Last Year's Report: Financial Accounting for Inventory Held for Sale; FY 97. Inadequate On-Line History Records in SMAS; NA.

Current Target Date(s): Financial Accounting for Inventory Held for Sale; FY 00. Inadequate On-Line History Records in SMAS; FY 99.

Reason for Change in Date(s): There will be no changes to SBSS or SMAS which could resolve this weakness until the Global Combat Support System initiative is complete. Therefore, the milestones for the future have been extended.

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed Actions/Events:</u>	<u>Actual Completion Date</u>
Centralized Fuels Management Accounting System (CFMAS) (F126) replaced by Fuels Automated Management System (FAMS)	FY 93
Initiated action to replace legacy systems with interim migratory systems. Participated in DFAS Financial System Plan and Corporate Information Management (CIM) initiatives.	FY 94
Consolidated the following legacy systems into the Standard Materiel Accounting System (SMAS) interim migratory system:	
Medical Material Accounting System	FY 96
Air Force Academy Stock Fund Accounting System	FY 97
Continued to sustain legacy operating systems; acquired contractual support to define detailed system modifications needed to transition to the migratory system and prepared system change requests to accomplish system modifications and enhancements.	FY 97
Completed staff study on the SMAS/FIABS merger. The study concluded that the merger was the wisest course of action.	FY 97
<u>Planned Actions/Events (short term)</u>	<u>Planned Completion Date</u>
The fuels accounting function will consolidate under the Defense Logistics Agency (DLA) and migrate to the Fuels Accounting System(FAS). The overhead cost for the fuels business Activity will be transferred to DFAS-CO using DBMS. The following legacy systems will be eliminated:	

Avfuels Management Accounting System and the Fuels Automated Management System	FY 98
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Meeting between DFAS-DE and AFAA to identify materiel on loan accounting problems and solutions.	6/98
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Begin implementation of the SMAS relational database. This implementation will include a testing and certification period. The release will be in coordination with the release of the GCSS.	5/98
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<u>Planned Actions/Events (long term)</u>	<u>Planned Completion Date</u>
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Modernize the SMAS system to support the Air Force Global Combat Support System (GCSS). This would include the accounting support for GCSS.	FY 99
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The Standard Base Supply System will be replaced by GCSS.	FY 99
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Incorporate the Budget Activity Classification Codes into the SMAS software.	FY01
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Incorporate the Standard General Ledger into the SMAS software.	FY 01
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Incorporate the KAR enhancements;

Accounts Receivable Delinquent Follow-up, Accounts Receivable Aging, Billing Statements, Job Order Cost Accounting System (JOCAS) to Government Accounting Finance System interface, Defense Business Management System Replacement by JOCAS, Automated Funds Target Update, etc.	FY 01
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Complete the SMAS/FIABS merger.	FY 01
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Finalize the implementation of SMAS on the relational database providing more efficient database management and the maintenance of 2 years of on-line history.	10/98
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VALIDATION PROCESS TO BE USED: DFAS-HQ Compliance Audit, Transaction Testing, Evaluations and Reviews. Certification will take place upon completion of the project, date yet to be determined.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST: On December 19, 1994, the Under Secretary of Defense (Comptroller) announced the selection of DBOF Interim Migratory Systems. SMAS was officially selected as the DBOF Supply Management retail accounting system in support of the Air Force component.

DENVER MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Working Capital Fund (WCF) - Supply Management, Air Force/Wholesale and Depot Level Retail - Financial Inventory Accounting and Billing System (FR19)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Denver Center (DFAS-DE)

NAME OF RESPONSIBLE PROGRAM OR SYSTEM MANAGER: Mr. Walt Zinkevicius, DFAS-DE/AAA, DSN 926-6412.

NAME OF DFAS FUNCTIONAL AREA MANAGER: Mr Walt Zinkevicius, DFAS-DE/AAA, DSN 926-6412.

TITLE(S) AND KAR(S) OF DEPARTURE(S):

1. "By-Passing of Transaction Controls" (KAR 7 System Controls)
2. "Lack of Current User Manual" (KAR 10 Systems Documentation)

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Inventory management and material system weaknesses impact the accuracy and integrity of financial statements.

1. Air Force Audit Agency (AFAA) objected to the use of CA-Datquery to "clean up" data outside the on-line system. Use of CA-Data query is sometimes warranted (with proper audit trail) when the cost effectiveness of other means of clean-up is compared. Procedures adjusted.
2. The FIABS user manual was not updated since 1992. Subsequently, the user manual and a CBT has been developed and distributed.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, Chief Financial Officers (CFO) Financial Statement Audits - AFAA Project 94068017, Opinion on Air Force DBOF FY 93 Inventories Held For Sale Balance and associated Air Force audits, AFAA Project 94068018, Opinion on Air Force DBOF FY 93 Inventories Not Held For Sale Balance, AFAA Project 93068031, Financial Reporting of FY 93 Revenues and Expenses Within the Supply Management Business Area, and AFAA Project 96066012, Application Controls Within the Financial Inventory Accounting and Billing System. See Migratory/Interim Migratory System Conformance Strategy for Working Capital Fund - Supply Management, Air Force/ Retail.

SUMMARY OF PLANNED CORRECTIVE ACTION(S):

Migration: The Financial Inventory Accounting and Billing System (FIABS) will be modified to incorporate the DoD Standard General Ledger chart of accounts, Standard Budget and Accounting Classifications Codes, and improvements to redress other deficiencies noted by both users and auditors. We will also ensure the interim migratory system interfaces to other accounting systems and support systems, such as logistics, procurement, and contracting.

Departures:

1. DFAS-DE/ANMM in conjunction with MSG/SHS, has instituted a process where all access to D035J data with the utility in question is controlled, and documented from with-in DFAS-DE/ANMM.

2. DFAS-DE/ANMM has conjunction with MSG/SHS, contracted for (and has been subsequently delivered) a new user manual for FIABS.

SCOPE OF CORRECTIVE ACTION(S): Mission Supported: Accounting and billing for Air Force WCF Wholesale and Depot Level Retail Supply Management operations. Functions Performed: FIABS provides Financial Inventory balances and other supply related balances to the AF Stock Fund general ledger system (SMAS) and provides automated billing functions for seller (AF Stock FUND) functions. These two functions are the core functions of FIABS.

PACE OF CORRECTIVE ACTION(S):

Year Identified: Migration FY 94: Departures 1. FY 97, 2. FY 97

Targeted Correction Date in Last Year's Report: Migration FY 99, Departures N/A

Current Target Date(s): Migration FY 2001; Departures 1. FY 98, 2. FY 97

Reason for Change in Date(s): Migration: Decision to merge FIABS with Standard Material Accounting System (SMAS); Departures, N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Migration: Initiated action to transition legacy system (FIABS) to interim migratory system. Participated in DFAS Financial Systems Plan and Corporate Information Management (CIM) initiatives.	FY 95
Departure: 1	
Meet, Coordinate, and Agree with MSG/SH	4/97
Establish Permission Forms, Co-ordinate	5/97
Write DFAS-DE/ANMM Office Procedure	6/97
Departure 2.	
Submitted CSRD (requirement)	12/96
Analysis of requirement	4/97
Delivery of Manual and CBT	7/97
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Migration: Continue to sustain operating system (FIABS); use the DBOF Technical Evaluation study to define system modifications needed to transition	

to interim migratory system, and prepare system change requests to accomplish system modifications and enhancements. FY 98

Departure: 1. Implement Statistical Tracking/Verification 12/97

Planned actions/events (long term): . Planned
Completion Date

Migration:

Accomplish system modifications and enhancements needed to transition to interim migratory system. FY 99

Merge with SMAS FY 01

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

DENVER MIGRATION SYSTEM and COMPLIANCY STRATEGY for DEPARTMENTAL REPORTING

FINANCIAL MANAGEMENT FUNCTION: Departmental Reporting - Departmental Cash Management System (DCMS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Denver Center (DFAS-DE)

NAME OF RESPONSIBLE PROGRAM OR SYSTEM MANAGER: Mr. Bob Bennett, DFAS-DE/AMD, DSN 926-8950

NAME OF DFAS FUNCTIONAL AREA MANAGER: Ms. Beth Forgie, DFAS-DE/AM, DSN 926-7185

TITLE(S) AND KAR(S) OF DEPARTURE(S): The following departures apply to the legacy systems used to manage the Departmental Reporting for the Denver Center: General Ledger Control and Financial Reporting (KAR 1); System Controls (KAR 8); Cash Procedures (KAR 9); System Documentation (KAR 10); System Operations (KAR 11); User Information Needs (KAR 12).

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Legacy system internal control and material system weaknesses impact the accuracy and integrity of financial statements.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, GAO Audits, DoDIG Audits, Chief Financial Officers (CFO) Financial Statement Audits - AFAA Project 94068020, Opinion on Air Force DBOF FY 93 Fund Balance With Treasury and associated Air Force audits.

SUMMARY OF PLANNED CORRECTIVE ACTION(S): The Departmental Cash Management System (DCMS) will support the departmental reporting function. It will replace the inefficient, costly, and non-compliant Merged Accountability and Fund Reporting (MAFR) system and provide support for an improved cash management business process. The new DCMS system will include the DoD Standard General Ledger chart of accounts, Standard Budget and Accounting Classifications Codes, and other improvements to redress deficiencies noted by both users and auditors. We will also ensure the DCMS interim migratory system interfaces to other accounting systems and support systems. The DCMS will satisfy regulatory and statutory requirements, including the Antideficiency Act, the CFO Act, and the requirements of Treasury, OMB, and the Congress.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Air Force departmental-level reporting to Treasury, Office of the Secretary of Defense (OSD), the Office of Management and Budget (OMB), Federal Agencies, Defense Agencies and other customers.

Functions Performed: Departmental-level accounting and reporting for Air Force Defense Working Capital Fund (WCF) and appropriated funds. The DCMS manages and reconciles all Air Force cash disbursements, reimbursements, collections, and receipts department-wide. It

provides support for an improved cash management business process and lays the foundation for expansion to meet future requirements of DFAS-DE cash management.

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 93

Targeted Correction Date(s) in Last Year's Report: FY 98

Current Target Date(s): FY 98

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Initiated action to replace legacy system with interim migratory system. During August 1994 developed a Statement of Work for contractual support for the DCMS project.	FY 94
Continued to sustain legacy operating systems; acquired contractual support to develop interim migratory system July 1, 1995.	FY 95
Requirements and Conceptual Design Document completed March 3, 1995.	FY 95
Life Cycle documentation delivered	4/95
DFAS-HQ approval to proceed with development.	9/95
Justification of interim migratory system selection	3/95
Modification/Development Increment 1	1/97
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Modification/Development Increment 2	12/97
Modification/Development Increment 3	3/98
Complete implementation of DCMS replacing Merged Accountability and Fund Reporting (MAFR) (F002).	6/98

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

DENVER MIGRATION SYSTEM and COMPLIANCY STRATEGY for DISBURSING

FINANCIAL MANAGEMENT FUNCTION: Disbursing - Integrated Paying and Collecting (IPC) System (F033)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Denver Center (DFAS-DE)

NAME OF RESPONSIBLE PROGRAM MANAGER: Ms. Kathy Kraski, DFAS-DE/ALB, DSN 926-7471

NAME OF DFAS FUNCTIONAL AREA MANAGER: Ms. Mattie Clemens, DFAS-DE/AL, DSN 926-7378

TITLE(S) AND KAR(S) OF DEPARTURES: No specific departures were reported.

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: All departures identified for the Integrated Paying and Collecting (IPC) System are related to consolidation, requirements generated from DFAS-HQ, or changing world conditions.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): Program Manager, DFAS-HQ, Consolidation Evaluation Team

SUMMARY OF PLANNED CORRECTIVE ACTION(S): Modify IPC to accommodate new requirements.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: IPC supports DFAS-DE, DFAS-DE operating locations and the Air Force finance operations (disbursing and collections) world wide.

Functions Performed: IPC is an on-line system, with batch processing capabilities, designed to automate disbursing accountability and payment functions related to payments to military and civilian personnel and commercial vendors, and processing collections. Disburse U.S. dollars or foreign currency in cash, check, or Electronic Funds Transfer (EFT). Collect U.S. dollars or foreign currency in any valid media. Provides control of transactions for each business date by the voucher number or check number. Is integrated with the subsystems of the Integrated Accounts Payable System. Interfaces are provided for all systems requiring payment or collection action.

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 95

Targeted Correction Date in Last Year's Report: FY 97

Current Target Date: FY 97

Reason for Change in Date(s): N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Action Completion Date</u>
Add U.S. dollar in Pre-arranged Paid Deposit (PPD) and Cash Concentration and Disbursement (CCD) format and foreign currency EFT. Create deposit and debit voucher records and interface with accounting system.	8/95
Add EFT in Corporate Trade Exchange (CTX) format and Split Travel Payments by check or EFT.	1/96
Process EFT payments (for consolidated sites) host to host, and automate manual processes	8/96
Modify zip code field to accommodate new postal requirements	1/97
Expand various field sizes to accommodate currencies with an exchange rate greater than five positions.	8/97
<u>VALIDATION PROCESS TO BE USED:</u> Transaction Testing, Evaluations and Reviews by the Design Center, DFAS-DE, and Quality Testing and Evaluation (QT&E) II site.	
<u>RESULTS INDICATORS:</u> Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.	

DENVER MIGRATION SYSTEM and COMPLIANCY STRATEGY for VENDOR PAY

FINANCIAL MANAGEMENT FUNCTION: Vendor Pay - Integrated Accounts Payable System (IAPS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Denver Center (DFAS-DE)

NAME OF RESPONSIBLE SYSTEM MANAGER: Ms. Mattie Clemens,
DFAS-DE/AL, DSN 926-7383

NAME OF DFAS FUNCTIONAL AREA MANAGER: Mr. Richard H. Koebert, DFAS-DE/A,
DSN 926-8054

TITLE(S) AND KAR(S) OF DEPARTURE(S): 1. Validation of for-others payments.
2. Electronic commerce.

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS:

1. Congressional requirements for prevalidation in Public Law 103335, Section 8137. The Integrated Accounts Payable System (IAPS) currently validates all for-self payments, but it must be changed to validate payments for another accountable station (for-others payments).
2. Presidential mandate for electronic commerce.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System manager reviews and periodic updates from DFAS-HQ for Congressional/Presidential requirements.

SUMMARY OF PLANNED CORRECTIVE ACTION(S):

1. IAPS will be updated to satisfy Congressional requirements for prevalidation by including a validation process for for-others payments.
2. IAPS will be updated to incorporate Electronic Data Interchange (EDI) for the Presidential mandate for electronic commerce.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Vendor payments

Functions Performed: IAPS is an on-line system, with batch processing capabilities, designed to automate accounting and payment functions related to payments to commercial vendors. It provides automatic payment voucher creation, follow-up for missing documents (contract, invoice, receiving report, etc.), internal reconciliations, and a transaction history to satisfy internal control requirements. It computes payment due dates, amounts, and interest payments, if applicable. It interfaces with the General Accounting and Finance System, Standard Base Supply System, Base Contracting Automated System, and Medical Logistics.

1. Updates for prevalidation will allow automated identification of for-other payments, that exceed the Congressionally established threshold (currently \$1,000,000 effective October 1, 1995, and is projected to be lowered during FY 97), for validation prior to making the payment.

2. Updates for EDI will incorporate changes for electronic commerce initiatives to streamline procurement, such as electronic invoicing by vendors and electronic payment notices back to vendors.

PACE OF CORRECTIVE ACTION(S):

Year Identified: 1. 1995, 2. 1995

Targeted Correction Date(s) in Last Year's Report: 1. Dec 1997, 2. Phase I, Oct 1996; Phase II, Jan 1997

Current Target Date(s): 1. Action complete, 2. Action complete.

Reason for Change in Date(s): 1. N/A, 2. N/A

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Electronic Funds Transfer, CCD+ Format	8/95
Scheduled system changes include incorporating Troop Support requirements, expanding the unit of foreign currency to support United States Air Force Europe (USAFE) consolidation, and making modifications to support electronic commerce:	FY 96
Vendor Inquiry Capability via Internet/WWW	10/96
EDI Transaction 850 (Contracts)	10/96
EDI Transaction 820 (Remittance Advice/Electronic Funds Transfer, CTX Format EDI Transaction 810 (Invoices) Automated For-Others Prevalidation, \$500K	1/97
Scheduled system changes include: implementing new Prompt Payment Act reporting requirements, making changes to support document imaging, and making additional modifications to support electronic commerce:	FY 97
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Electronic Purchase Request & Signature	FY 98
<u>Planned actions/events (long term)</u>	<u>Planned Completion Date</u>
The Defense Procurement Pay System (DPPS) migration system will replace the IAPS legacy system. Projected implementation start date for deployment of vendor pay systems to DPPS is June 16, 1998.	5/01

VALIDATION PROCESS TO BE USED: During the development phase our system accountants have recurring dialog with the system analysts and programmers at the Standard Systems Group (SSG). Projected dates for receiving revised software to test and for releasing the

software Air Force-wide are regularly monitored and any slippages receive immediate attention. When ready, the revised software is loaded on a Unisys test bed for our testing and evaluation. Problems are reported to SSG, corrections are made, and the software is retested. When ready, the software is usually loaded at one location for environmental system testing where performance is closely monitored prior to releasing Air Force-wide. Once Air Force-wide, all locations have the means to report problems via Difficulty Reports (DIREPS). DIREPS have three categories, based on how the location's mission is being impacted, and are given a priority to be worked based on this category.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

INDIANAPOLIS CENTER
SECTION C-5

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for DEPARTMENTAL REPORTING

FINANCIAL MANAGEMENT FUNCTION: Departmental Reporting, Program Budget Accounting System (PBAS).

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: James D Willaford, PBAS; Greg Heidrich, HQARS

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No departures are identified for PBAS. However, departures in the Headquarters Accounting and Reporting System (HQARS) general ledger control and reporting, and system documentation impede progress in achieving auditable CFO Financial Statements.

SOURCES OF DISCOVERY OF MATERIAL NONCONFORMANCES: System Manager/User Reviews, Financial Statement Audits, and Management Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Upgrade operating system; replace unique and noncompliant feeder systems with standard compliant feeder systems.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Distribution of program and funds for the Secretary of Defense, and Secretary of the Army and DoD agencies. Department-level financial reporting to Treasury, OSD, OMB, Federal Agencies, Army, Defense Agencies and other customers.

Functions Performed: Issue direct and funded reimbursement program and fund authorizations and control reprogramming actions; receive, validate, and consolidate budget execution, expenditure, and general ledger balances from field offices. Maintain central clearance operations for transactions for others (TFO), transactions by others (TBO), interfund, and cross disbursing.

Prepare annual financial statements and monthly status reports on budget execution and expenditures for AWCF, formerly DBOF and non-AWCF, formerly non-DBOF appropriations.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1983

Targeted Correction Date in Last Report: TBD

Current Target Date: TBD

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTIONS:

<u>Completed actions/events;</u>	<u>Actual Completion Date</u>
Commence direct reporting for Europe which eliminates the Command Integrated Financial Accounting and Reporting System (CINFARS) (KAR 1)	4/95
Begin direct departmental accounting and reporting for Defense Agencies (Department 97). (KAR 1)	4/95
Transition central clearance function for Navy cross disbursing.	5/95
Transfer PBAS Foreign Military Sales Module to DFAS-Denver.	10/95
Implement major revision to DoD Standard General Ledger in HQARS (KAR 1)	10/95
Implement abbreviated trial balance reporting for the Defense Agencies (Department 97 Reporting) (KAR 1)	11/95
Implement major revision to DoD SGL in PBAS (KAR 1)	12/95
Implement full monthly trial balance reporting for Department 97 (KAR 1)	3/96
Commence direct reporting for Army Materiel Command (KAR 1)	3/96
Implement new fund distribution and control module for Department 97	3/96
Commence direct reporting for Army National Guard (KAR 1)	4/96
Replace Army Procurement Appropriation Accounting and Reporting System (APARS) by HQARS	9/96
Implement PBAS for Secretary of Defense and the Defense Agencies (TI97)	12/96
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Replace HQARS with CDB for AWCF reporting	10/97
Commence direct reporting of military appropriations for Corps of Engineers (KAR 1)	12/97
Replace HQARS with DFAS Database for consumer funds	9/98

<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Y2000 Compliance	12/98
Implement Direct Reporting by Defense Agencies (Dept. 97) (KAR 1)	4/99
Sustain current systems and make operational improvements, such as increase utility of DoD Standard General Ledger in preparing CFO financial statements, improve timeliness of financial information by increasing direct financial reporting from field accounting offices, and make numerous enhancements to improve audit trails, documentation, internal interfaces and other accounting controls.	6/99
Reengineer PBAS to accomodate additional levels of distribution, flexible program coding, and upgrade database design and communications capabilities	8/00

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST:

The Indianapolis Center recently announced its intention to use the Central Data Base for Army Working Capital Fund (AWCF), formerly Defense Business Operating Fund (DBOF) reporting.

Full implementation of Key Accounting Requirements (KARs) in HQARS is dependent on receiving reliable feeder financial accounting information from field reporting offices which are supported by interim migratory and standard migratory systems which fully meet the KARs. This includes full deployment of the Defense Property Accountability System (DPAS) for all real and personal property and ensuring DPAS contains reliable information as well as establishing financial accounting controls for equipment in transit and government furnished property in the hands of contractors.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for GENERAL FUNDS ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: General Funds Accounting

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center and Department of the Army (U.S Army Corps of Engineers, Army National Guard, and U.S. Army Reserve Command).

NAME OF RESPONSIBLE PROGRAM MANAGER: James D. Willaford, STANFINS; Tommy Pond, CEFMS, COEMIS; Mr. John Argodale, SABERS; Karl Merritt, DOLFINS

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Reporting, Property Accounting, Accounts Receivable, Cost Accounting, Accrual Accounting, System Controls, Audit Trails, System Documentation, System Operations, Accounts Payable, Budgetary Accounting, and User Information Needs departures impede achieving reliable CFO Financial Statements.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews, Financial Statement Audits, and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy systems, Test, Evaluation, Analysis, and Management Uniformity Plan (TEAM-UP), Standard Finance System (STANFINS), Standard Army Procurement Appropriation System (SAPAS), Corps of Engineers Management Information System--Finance and Accounting (COEMIS), State Accounting Budget Expenditure Reservation System (SABERS), and Daily Orders, Ledger, and Finance System (DOLFINS) and transition to interim migratory systems, Standard Operation and Maintenance, Army Research and Development System (SOMARDS), and Corps of Engineers Financial Management System (CEFMS). Upgrade SOMARDS and CEFMS to improve accounting and financial reporting for statutory and regulatory requirements, support consolidated operations, and fully implement Key Accounting Requirements.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level accounting and financial reporting on execution of customers general funds and operations. Includes Army's post, camps, and stations; weapon system acquisition and sustainment, research and development activities; and civil works and military construction operations.

Functions Performed: Fund control, budget execution and expenditure accounting, cost accounting, general ledger accounting, accounting for accounts receivable and accounts payable, property accounting, and financial reporting.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1983

Targeted Correction Date in Last Report: TBD

Current Target Date: TBD

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Replace with SOMARDS.	
Belvoir Research, Development and Engineering Center Accounting System.	10/94
U.S. Army Aviation Applied Technology Directorate Accounting System	10/94
U.S. Army Research Office Accounting System.	3/95
Natick Appropriation and Fund Accounting System	0/95
Replace with STANFINS	
U.S. Army Medical Materiel Agency Centralized Procurement Appropriation Accounting System	5/95
Replace COEMIS with CEFMS at six sites; Huntsville, AL; Waterways Experiment Station, Vicksburg, MS; Construction Engineer Research Laboratory, Champaign, IL; Southwestern Division, Dallas, TX; Fort Worth District, TX; and HQ Corps of Engineers, Washington, DC.	6/95
Implement STANFINS/SPBS-R Interface (KAR 2).	9/95
Improve COEMIS for standard general ledger reporting and Homeowners Assistance Program	9/95
Expand CEFMS accounting functionality for hydro-electric power sales, and supervision and administration of construction contracts	9/95
Replace U.S. Army Information Systems Command Centralize Procurement Appropriation Accounting System with SAPAS	10/95
EDI Implementation--Steps 7, 8, & 9 (Prevalidation) for SOMARDS, and APAS (KAR 7)	10/95
Implement revised Standard General Ledger Chart of Accounts for SOMARDS, SAPAS, and STANFINS (KAR 1).	10/95

Implement SOMARDS/SRD I Interface.	3/96
Parallel test CEFMS at Fort Gordon, GA.	4/96
Tested and completed CEFMS/Interfund Interface.	4/96
Implement CEFMS/DCPS Interface.	4/96
Implement CEFMS DCPS TFO processing for revolving fund.	4/96
Implement CEFMS/SRD1 Interface	1/97
Implement CEFMS/DTRS Interface	1/97
Expand CEFMS functionality for water supply contracts, foreign currency fluctuation, interfund, and timber sales.	9/96
Improve CEFMS interface with real estate and project management information systems.	9/96
Replace COEMIS with CEFMS at 17 additional sites	9/96
Implement foreign currency in CEFMS	11/96
Implement SOMARDS/DCPS Interface	10/96

<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
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Expand CEFMS functionality for interfund	10/97
Implement general ledger transaction files in SOMARDS (KAR 1)	10/97
Implement EDI for contract award in SOMARDS	4/98

<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
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Sustain operating systems; make changes for statutory and regulatory requirements, transitioning to interim migratory systems SOMARDS and CEFMS; upgrade interim migratory systems to support consolidated operations, implement changes in accounting and reporting requirements, and correct deficiencies.	On-Going
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Replace with SOMARDS

Standard Army Procurement Appropriation System	6/98
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Implement SOMARDS/DPAS Interface (KAR 2)	10/98
Improve SOMARDS cost accounting for R&D Activities (KAR 4)	2/98
Replace with SOMARDS	
Test, Evaluation, Analysis, and Management Uniformity Plan	2/98
Upgrade interim migratory systems/fully correct departures from Key Accounting Requirements	On-Going
Fully deploy Defense Property Accountability System (DPAS), ensure DPAS contains reliable information for real and personal property, and interface with general ledger accounting systems (KAR 2)	TBD
Establish general ledger control over property in transit and government furnished property (KAR 2)	TBD
Y2000 Compliance (STANFINS)	9/98
Replace with CEFMS	
Standard Operation and Maintenance, Army Research and Development System (SOMARDS)	TBD
State Accounting Budget Expenditure Resource System (SABERS)	TBD
Replace or integrate DOLFINS	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST:

A corrective action plan is needed for SABERS

A migration plan is needed for DOLFINS.

Full Deployment of the Defense Property Accountability System (DPAS), validation of DPAS information to ensure reliability, and a financial accounting system interface must be achieved for general ledger control of real and personal property.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for GENERAL FUNDS ACCOUNTING DoD AGENCIES

FINANCIAL MANAGEMENT FUNCTION: General Funds Accounting, DoD Agencies

RESPONSIBLE ORGANIZATION: Defense Special Weapons Agency and Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Mary Lou Stokes, Defense Special Weapons Agency

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for the legacy system, Centralized Accounting and Financial Resource Management System (CAFRMS); however, non-standard system operations impede realizing economies of scale.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy system and transition to migratory system.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Agency and field-level accounting and financial reporting on execution of general funds in support of nuclear weapons matters. Includes Defense Special Weapons Agency headquarters operations in Alexandria, VA; field operations in Albuquerque, NM; and support for the Armed Forces Radiology Research Institute in Bethesda, MD (FY 93 and prior); and On-Site Inspection Agency at Dulles Airport, VA.

Functions Performed: Fund control, budget execution and expenditure accounting, general ledger accounting, accounting for accounts receivable and accounts payable, programming, budgeting, and financial reporting.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: To be determined (TBD) pending selection and transition to a standard DoD migratory system.

Current Target Date: TBD

Reason for Change in Date: No change

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Automate cash balancing with disbursing office.	10/94
Automate monthly expenditure reporting	10/95
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Automate report for acceptance of TFO and Interfund transactions.	TBD
Sustain current system	TBD
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Develop standard interfaces with financial feeder support systems	TBD
Replace with standard DoD migratory system.	
Centralized Accounting and Financial Resource Management System	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST:

The formal transfer of management responsibility documentation has not been completed for CAFRMS.

DFAS-HQ is reviewing the functionality of five Defense Agency systems to determine feasibility of migrating to an existing DFAS interim migratory accounting system.

In September 1995, the DoDIG reported that upon completion of certain items, CAFRMS can provide information necessary to produce CFO financial statements. Necessary changes are being made and implemented.

A corrective action milestone plan is needed for replacing the legacy system.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUNDS ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Business Funds Accounting, Supply Management

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Jerry Hummel

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Reporting, Inventory Accounting, Accounts Receivable, Audit Trails, System Operations, User Information, and Budgetary Accounting departures impede achieving reliable CFO Financial Statements.

SOURCES OF DISCOVERY OF MATERIAL NONCONFORMANCES: System Manager/User Reviews, Financial Statement Audits, and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy systems, Standard Army Financial Inventory Accounting and Reporting System (STARFIARS) and Retail Army Stock Fund Inventory Accounting and Reporting System (RASFIARS) while upgrading and transitioning to interim migratory systems, Standard Army Financial Inventory Accounting and Reporting System--Modernization (STARFIARS-MOD)/ Tactical Unit Financial Management Information System (TUFMIS) and Commodity Command Standard System (CCSS). Upgrade STARFIARS-MOD/TUFMIS and CCSS to improve accounting and financial reporting for statutory and regulatory requirements, support consolidated operations, and fully implement Key Accounting Requirements.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level accounting and financial reporting for supply management business operations. Includes five Army inventory control points that store inventory at about 315 storage sites and 55 retail installations that store inventory at 89 storage sites. Activities in this business area perform acquisition and supply management for secondary items.

Functions Performed: Fund control, inventory accounting, budget execution and expenditure accounting, general ledger accounting, accounting for accounts receivable and accounts payable, and financial reporting.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: TBD

Current Target Date: TBD

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Replace STARFIARS with STARFIARS-MOD at 5 sites	8/95
Change valuation of Conventional Ammunition Working Capital Fund (CAWCF) inventory from standard price to latest acquisition cost in CCSS. (KAR 2)	10/95
EDI Implementation--Steps 7, 8, & 9 (Prevalidation) for CCSS. (KAR 7)	10/95
Revise SF1080 billing process for CAWCF in CCSS (KAR 3)	2/96
Implement revised standard general ledger chart of accounts in RASFIARS (KAR 1)	3/96
Implement interfund billing process in RASFIARS (KAR 3)	5/96
Establish automated aged accounts receivable in RASFIARS (KAR 3)	6/96
Replace STARFIARS with STARFIARS-MOD at 10 sites.	7/96
Change valuation of inventory from standard price to latest acquisition cost for AWCF in CCSS. (KAR 2)	10/96
Implement revised Standard General Ledger Chart of Accounts and 1307 Report in CCSS (KAR 1)	10/96
Implement standard general ledger crosswalk for CCSS (KAR 1)	10/96
Implement STARFIARS-MOD/SARSS interface (KAR 2) Supply management	10/96
Automate revised 1307 Report in RASFIARS (KAR 1)	10/96
Implement STARFIARS-MOD accounting and reporting improvements	11/96
Improve System Documentation - CCSS	4/97

<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
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Implement revised SGL in STARFIARS-MOD (KAR 1)	10/98
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Implement EDI contract award in CCSS	10/98
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<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
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Implement revised 1307 Report in STARFIARS-MOD (KAR1)	10/98
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BACC Inclusion - STARFIARS-MOD	10/99
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Sustain operating systems; make changes for statutory and regulatory requirements, transition legacy systems to interim migratory systems, STARFIARS-MOD/TUFMIS and CCSS; upgrade STARFIARS-MOD/TUFMIS and CCSS to support consolidated operations, changes in accounting and reporting requirements, and correct accounting deficiencies.	On-Going
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Replace with STARFIARS-MOD

Standard Army Financial Inventory Accounting and Reporting System	12/98
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Retail Army Stock Fund Inventory Accounting and Reporting System	12/98
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Upgrade interim migratory systems/fully correct departures from Key Accounting Requirements	On-Going
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Implement financial control over government furnished materiel (GFM). (KAR 2) TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST:

An action plan is needed for realizing financial accounting control over government furnished materiel.

DFAS-HQ/A is managing a project to purchase commercial software for a CAWCF accounting system. A Letter of Interest will be published in late March 1996 with a current target for contract award in July 1996.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUNDS ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Business Funds Accounting, Depot Maintenance, Standard Industrial Fund System (SIFS).

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Jerry Hummel

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Reporting, Property Accounting, Accounts Payable, Accrual Accounting, and System Operations departures impede achieving reliable CFO financial statements.

SOURCES OF DISCOVERY OF MATERIAL NONCONFORMANCES: System Manager/User Reviews, Financial Statement Audits, and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy system, Watervliet Arsenal Business Operations Accounting System, while upgrading and transitioning to SIFS. Upgrade SIFS to improve accounting and financial reporting for statutory and regulatory requirements, support consolidated operations, and fully implement Key Accounting Requirements.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level accounting and financial reporting for depot maintenance business operations. Includes seven Army depots, five depot activities, three arsenals, and two ammunition activities. Activities in this business area perform depot maintenance, logistics, and manufacturing operations.

Functions Performed: Fund control, property and inventory accounting, budget execution and expenditure accounting, cost accounting, general ledger accounting, accounting for accounts receivable and accounts payable, and financial reporting.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994.

Targeted Correction Date in Last Report: TBD

Current Target Date: TBD

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Replace with Standard Industrial Fund System (SIFS)	
Rock Island Arsenal Business Operations Accounting System	10/95
SIFS/Defense Property Accountability System (DPAS) interface for personal property (KAR 2)	2/96
SIFS/Army Financial Entitlements System (AFES) Interface (KAR 9)	3/96
SIFS/STANFINS-Redesign Subsystem I Depot Maintenance (Cont)	4/95
(SRD I) Interface (KAR 9)	3/96
Implement Revised Standard General Ledger Chart of Accounts and Defense Business Operations Fund (1307) Accounting Report in SIFS. (KAR 1)	7/96
Replace with SIF	
Pine Bluff Arsenal Business Operations Accounting System	10/96
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Implement prevalidation in SIFS.	2/98
Improve Accrued Annual Leave Reporting (KAR 5).	2/98
SIFS/DPAS Interface for real property (KAR 2)	2/98
SIFS/DTS Interface for travel	4/98
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Replace with SIFS	
Watervliet Arsenal Business Operations Accounting System	10/97
Sustain operating systems; make changes for statutory and regulatory requirements, transition legacy systems to interim migratory system (SIFS); upgrade SIFS to support consolidated operations, changes in accounting and reporting requirements, and correct accounting deficiencies.	3/98

Upgrade interim migratory system/fully correct departures from KARs On-Going

Fully Deploy the Defense Property Accountability System (DPAS) for all real and personal property, ensure DPAS contains reliable information, and interface with general ledger accounting system. (KAR 2) TBD

Achieve financial accounting controls over equipment in transit and government furnished property. (KAR 2) TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST: Full deployment of the Defense Property Accountability System (DPAS), validation of DPAS information to ensure reliability, and a financial accounting system interface must be achieved for general ledger control of real and personal property.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for WORKING CAPITAL FUNDS ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Business Funds Accounting, Time and Attendance

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center.

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Ron Pasierb, DFAS-IN

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures identified.

SOURCES OF DISCOVERY OF MATERIAL NONCONFORMANCES: System Manager/User Reviews and Management Control Reviews

CORRECTIVE ACTIONS FOR DEPARTURES: Complete requested changes and continue incremental transition to the standard DOD migratory system and eventual elimination of Time and Labor System (TLS), U.S. Army Missile Command Automated Timecard Entry System (MATES), Real Time and Attendance Processing System (RETAPS), Time, Attendance, Labor and Productivity Reporting System (TALPRS), and Electronic Timekeeping System (ETS).

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Migratory source data automation system for activities using the Defense Civilian Payroll System (DCPS).

Functions Performed: User friendly source data automation system for time and attendance (T&A) and labor and production (L&P).

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1996

Targeted Correction Date in Last Report: TBD

Current Target Date: TBD

Reason for Change in Date: No Change

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Partial hour leave increment reporting	4/96

Implement ATAAPS/DBMS interface at the prototype site	7/96
Implement ATAAPS/CEFMS interface at the prototype site	7/96
Deployed at 17 sites	9/96
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Deploy to additional users	12/97
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Design ATAAPS GUI PC Version	12/97
Continue to sustain current system and make operational improvements.	12/97
Business Funds Accounting, Time and Attendance (Cont)	

VALIDATION PROCESS TO BE USED: Transaction Testing, Eval. & Reviews.

RESULTS INDICATORS: Reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for TRANSPORTATION PAYMENT

FINANCIAL MANAGEMENT FUNCTION: Transportation Payment, Defense Transportation Payment System (DTRS).

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center.

NAME OF RESPONSIBLE PROGRAM MANAGER: Jimmy Heller, DTRS

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for DTRS. Continued operations of the non-standard legacy system, Transportation Disbursing and Reporting System (TDRS), impede realizing economies of scale.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Complete development and continue incremental phased transition to the standard DoD migratory system, Defense Transportation Payment System (DTRS), and eventual elimination of the legacy system, Transportation Disbursing and Reporting System (TDRS).

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Centralized payments for Government Bills of Lading, Government Transportation Requests, and Meal Tickets.

Functions Performed: Receives transportation shipping information electronically or converted from paper, performs a prepayment audit, interfaces with standard accounting and disbursing systems that make payments via check or Electronic Funds Transfer (EFT), and provides transportation data to facilitate transportation management and post audit programs.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: To be determined (TBD) pending decisions on full replacement of TDRS by DTRS.

Current Target Date: TBD

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Sustain current system and begin replacement, on a phased incremental basis, with a standard DoD migratory system, Defense Transportation Payment System (DTRS). 9/94	
DTRS Increment I, Phase one (Freight EDI)	2/94
DTRS Increment I, Phase two (Freight Paper)	2/95
DTRS Increment I, Phase three (Personal Property EDI) SDT, SQT, SAT	5/95
DTRS Increment I, Phase Four (Personal Property Paper) SDT, SQT, SAT.	12/96
DTRS Increment III (Interface with Accounting/Disbursing Systems and EFT).	12/96
Transition to DTRS Increment I, Phases three and four.	12/96
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Continue to sustain operating systems and transition to DTRS.	On-Going
DTRS Increment II (Claims) - Transitioned to Imaging Initiative at DFAS-HQ/PLANS	TBD
DTRS Increment IV (Consolidation of Marine and Navy Transportation Payments).	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST:

Development and implementation schedules are to be determined (TBD) pending DFAS-HQ decisions.

DTRS Increment I, Phase Three (Personal Property EDI) has successfully completed SDT, SQT, and SAT. Postponement due to data integrity problems from feeder systems.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for DISBURSING

FINANCIAL MANAGEMENT FUNCTION: Disbursing

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Ron Pasierb

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for the interim migratory systems, Standard Finance System Redesign Subsystem I (SRD-I) and the Disbursing Office Processing System (DOPS). The non-standard legacy systems, Automated Financial Entitlements System (AFES), Standard Negotiable Instrument Processing System (SNIPS), and Consolidated Return Items Stop Payment System (CRISPS) operations impede realizing economies of scale.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy systems and transition to interim migratory systems, SRD-I and DOPS. Upgrade SRD-I and DOPS for changes in statutory and regulatory requirements, consolidated operations, and users needs.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level finance operations at locations worldwide and operating locations.

Functions Performed: Disbursing support for civilian and military payroll, accounts payable, travel entitlements, and accounting operations for processing payments by cash, check, or electronic funds transfer (EFT). Interfaces are provided for accounting and accounts payable.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: FY 1997

Current Target Date: FY 1997

Reason for Change in Date: N/A.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Interface SRD I to Troy printers at DFAS-CO.	2/95
Replace AFES with SRD-I at OPLOC Rock Island.	6/95
Install SRD I at OPLOCs Rome (4/95), Orlando (5/95), and Norfolk.	7/95
Implement SRD I EDI interface to the Standard Automated Voucher Examination System (Defense Commissary, DFAS-CO).	8/95
Install SRD I at OPLOCs St. Louis and Lawton-Ft. Sill	2/96
Interface SRD I to standard accounting systems supporting the Army Materiel Command.	3/96
Install SRD I at OPLOC Seaside.	7/96
Process bonds for Military Active and Retired Pay.	7/96
Interface with CEFMS	6/97
Split American Express Disbursement	9/97
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Implement SRD I interface to the Treasury On-line Payment and Collection System.	1/98
Replace with SRD-I Standard Negotiable Instrument Processing System	TBD
Consolidated Return Items Stop Payment System	TBD
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Sustain operating systems, make improvements to interim migratory systems and support consolidated operations.	9/98
Implement foreign currency processing	4/99

System Changes to accommodate the Year 2000

12/98

Replace with SRD I

Automated Financial Entitlements System (disbursing functions).

12/97

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for CONTRACT AND VENDOR PAYMENT

FINANCIAL MANAGEMENT FUNCTION: Contract and Vendor Payment

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Ron Pasierb

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for Computerized Accounts Payable System (CAPS). The non-standard legacy system, Automated Financial Entitlements System (AFES), operations impede realizing economies of scale.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy system, AFES, and transition to interim migratory system, CAPS. Upgrade CAPS for changes in statutory and regulatory requirements, consolidated operations, and users needs.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level finance operations at locations worldwide and operating locations.

Functions Performed: A personal computer, local area network based, wide area network based accounts payable system which computes vendor entitlements in accordance with Prompt Payment Act and regulations based on purchase orders, receiving reports, or invoices. Interfaces are provided for disbursing, accounting, and procurement.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: FY 1997

Current Target Date: FY 1998

Reason for Change in Date: Based on consolidation schedule.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Installation at DFAS - Kansas City Center	3/95
Replace AFES at one operating location	7/95
Increase functionality-consolidation project model (CCP) with Windows environment.	9/95
Install CAPS at OPLOCs Rome, Orlando, Rock Island, St. Louis, and Lawton-Ft. Sill	2/96
Install CAPS at OPLOC Seaside	7/96
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Sustain and upgrade CAPS to support consolidated operations and increase functionality	11/98
Replace with CAPS CCP at all operating locations.	12/98
Replace with CAPS	
Automated Financial Entitlements System (Accounts Payable functions)	7/98

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for TRAVEL PAYMENT

FINANCIAL MANAGEMENT FUNCTION: Travel Payment

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Ron Pasierb

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for Integrated Automated Travel System (IATS). The non-standard legacy system, Automated Financial Entitlements System (AFES), operations impede realizing economies of scale.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy system, Automated Financial Entitlements System (AFES), and transition to interim migratory system, IATS. Upgrade IATS for changes in statutory and regulatory requirements, consolidated operations, and users needs.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level finance operations at locations worldwide and operating locations.

Functions Performed: A personal computer or local area network based system which computes entitlements for temporary duty or permanent change of station travel performed by military and civilian personnel; maintains history on each traveler plus a suspense file of outstanding debts. Interfaces are provided for disbursing and accounting.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: FY 1997

Current Target Date: FY 1997

Reason for Change in Date: N/A.

CRITICAL MILESTONES IN CORRECTIVE ACTION

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Installation at DFAS - Kansas City Center	5/95
Replace AFES at one operating location.	7/95
Develop and release IATS, version 4.3.3.	2/96
Install IATS at OPLOCs Rome, Orlando, Rock Island, St. Louis, and Lawton-Ft. Sill	2/96
Install IATS at OPLOC Seaside	7/96
Develop and release IATS, version 4.3.4.	8/96
Develop and deploy IATS, version 5.0	9/97
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Sustain current systems and make operational improvements to support consolidated operations and increase functionality	9/98
Add functionality for permanent change of station for civilians at overseas locations.	11/97
Replace with IATS	
Automated Financial Entitlements System (travel entitlement computations functions)	TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for CIVILIAN PAY

FINANCIAL MANAGEMENT FUNCTION: Civilian Pay

RESPONSIBLE ORGANIZATIONS: Defense Finance and Accounting Service - Indianapolis Center and Department of the Army (Army National Guard and U.S. Army Corps of Engineers).

NAME OF RESPONSIBLE PROGRAM MANAGER: Sam Friedman STARCIPS

DESCRIPTION OF DEPARTURE AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for the legacy systems; however, non-standard system operations impede realizing economies of scale.

SOURCE OF DISCOVERY OF MATERIAL NONCONFORMANCE: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy systems, Standard Army Payroll System (STARCIPS) and Corps of Engineers Civilian Pay and Leave System (CPLS), and transition to a standard DoD migratory system, Defense Civilian Pay System (DCPS).

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Pay entitlements for DoD civilian employees.

Functions Performed: Computation of civilian pay and leave entitlements.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994.

Targeted Correction Date in Last Report: FY 1997.

Current Target Date: FY 1997.

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTIONS

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Replace with Defense Civilian Pay System (DCPS)	
STARCIPS-R 4 sites 17,000 pay accounts	7/95
STARCIPS 40 sites 136,500 pay accounts	3/96

STARTEPS	53 sites 25,900 pay accounts	3/96
CPLS	1 site 44,000 pay accounts	4/96
STARCIPS	13 sites 66,100 pay accounts	8/97

<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
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Participate in sustainment of DCPS	10/97
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<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
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Participate in sustainment of DCPS and replacement of STARCIPS	10/97
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VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST: Four legacy payroll systems are being eliminated--STARCIPS-R (FY 95), STARTEPS (FY 96), CPLS (FY 96), and STARCIPS (FY 97).

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for MILITARY PAY

FINANCIAL MANAGEMENT FUNCTION: Military Pay

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Mr. Hugh Severance

DESCRIPTION OF DEPARTURE AND IMPACT ON AGENCY OPERATIONS: Departures identified are documented through the system change request (SCR) process.

SOURCE OF DISCOVERY OF MATERIAL NONCONFORMANCE: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURE: Sustain standard DoD migratory system, Defense Joint Military Pay System (DJMS).

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Army military pay entitlements for Active Duty, Reserve and National Guard components, West Point and Reserve Officer Training Corps cadets, Health Care Pre-Commissioning Professional Scholarship Program students, and short tours of active duty for reservists.

Functions Performed: Computation of military pay entitlements.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: FY 1995

Current Target Date: FY 1995

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTIONS:

Completed actions/events:

Actual
Completion Date

Replace with DJMS

Joint Uniform Military Pay System--Active Army (JUMPS-AA)

3/92

Joint Uniform Military Pay System--Reserve Components (JUMPS-RC)	7/93
Active Duty Automated Pay System (ADAPS)	9/93
Reserve Component Automated Pay System Support (RCAPSS)	10/93
West Point Cadet Pay System	4/94
Reserve Officers Training Corps Cadet Pay System (RCPS)	4/95
Health Professions Pay System (HPPS)	4/95
Short Tour Pay System (STOPS)	6/95
Implement EFT payment of bonuses, casual pays, and partial pays for Active Component.	7/97
Implement voucher balancing by reconciling summary and detail information for Reserve Component process	9/97
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Participate in sustainment of DJMS	On-Going

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for NONAPPROPRIATED FUND CIVILIAN PAY

FINANCIAL MANAGEMENT FUNCTION: Nonappropriated Fund Civilian Pay

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Hugh Severance

DESCRIPTION OF DEPARTURE AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy system - Nonappropriated Fund Central Payroll System. Upgrade system for statutory and regulatory requirements as well as changes to support consolidated operations.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Pay entitlements for over 31,000 nonappropriated fund (NAF) civilian employees located worldwide.

Functions Performed: Payment and computation of NAF civilian pay and leave entitlements from a centralized location, Red River Army Depot, Texas.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994.

Targeted Correction Date in Last Report: TBD.

Current Target Date: To be determined (TBD) pending selection and transition to a supporting standard DoD migratory system.

Reason for Change in Date: N/A.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Transition pay accounts from Europe to consolidated CONUS operations.	10/95

Planned actions/events (short term):

Planned
Completion Date

Continue to sustain operating system; implement statutory and regulatory changes; and make improvements, such as automating retention pay processes, implement electronic time and attendance processing, and automating other labor intensive processes.

9/98

Planned actions/events (long term):

Planned
Completion Date

Transition to a standard DoD migratory system.

TBD

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST: A corrective action milestone plan is needed for replacing the legacy system.

The FY 96 DoD Authorization Act, Section 353(b), calls for a pilot program to test the performance by private-sector sources of payroll as well as other finance and accounting functions of nonappropriated fund instrumentalities. Pilot results are to be evaluated in terms of cost savings and efficiencies.

INDIANAPOLIS MIGRATION SYSTEM and COMPLIANCY STRATEGY for NONAPPROPRIATED FUND ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: Nonappropriated Fund Accounting

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Indianapolis Center and Department of the Army (U.S. Army Europe and Seventh Army, and U.S. Army Community and Family Support Center).

NAME OF RESPONSIBLE PROGRAM MANAGER: Hugh Severance, NAFISS; Robert Vigneau, MICROCADS; Thomas Wolter, ACFAS

DESCRIPTION OF DEPARTURES AND IMPACT ON AGENCY OPERATIONS: No significant departures are identified for the Nonappropriated Fund Information Standard System (NAFISS) and Army Central Fund Accounting System (ACFAS). The non-standard legacy system, Army Micro Computer Assisted Central Accounting Divisions System (MICROCADS) operations impede realizing economies of scale; departures in other key accounting requirements have also been noted as follows: System Controls, Audit Trails, System Documentation, and User Information Needs have been identified.

SOURCES OF DISCOVERY OF DEPARTURES: System Manager/User Reviews and Management Control Reviews.

CORRECTIVE ACTIONS FOR DEPARTURES: Sustain legacy systems and transition to interim migratory and migratory systems. Upgrade systems for statutory and regulatory requirements, consolidated operations, and user information needs.

SCOPE OF CORRECTIVE ACTIONS:

Mission Supported: Field-level accounting and financial reporting for nonappropriated fund business operations. Department-level accounting for retirement, welfare, and health benefits for nonappropriated fund employees.

Functions Performed: Fund control, property and inventory accounting, budget execution and expenditure accounting, general ledger accounting, accounting for accounts receivable and accounts payable, and financial reporting.

PACE OF CORRECTIVE ACTIONS:

Year Identified: FY 1994

Targeted Correction Date in Last Report: To be determined (TBD) pending selection of and transition to a supporting DoD migratory system.

Current Target Date: TBD.

Reason for Change in Date: No change.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
Consolidate NAF Accounting from 7 sites (Fort Benning, Fort Jackson, Fort Rucker, Fort Eustis, Fort Leavenworth, Fort Leonard Wood, and Fort Huachuca) to the DFAS NAF Financial Services Office, Red River Army Depot, TX.	7/96

<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Continue to sustain operating systems, implement legislative/regulatory changes, and support consolidation of Central Accounting Offices into the consolidated office located at Red River Army Depot, TX.	10/97

Transition ACFAS to a commercial-off-the-shelf-system	9/98
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<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
Sustain MICROCADS operations until decision is made on replacement alternative.	TBD

Transition to a standard DoD migratory system.	TBD
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VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on the financial statements.

MAJOR ITEMS OF INTEREST: A corrective action milestone plan is needed for replacing the legacy system.

The FY 96 DoD Authorization Act, Section 353(b), calls for a pilot program to test the performance by private-sector sources of payroll as well as other finance and accounting functions of nonappropriated fund instrumentalities. Pilot results are to be evaluated in terms of cost savings and efficiencies.

MIGRATION SYSTEM AND COMPLIANCY STRATEGY

KANSAS CITY CENTER
SECTION C-6

KANSAS CITY MIGRATION SYSTEM and COMPLIANCY STRATEGY for GENERAL ACCOUNTING

FINANCIAL MANAGEMENT FUNCTION: General Accounting - Standard Accountng, Budgeting and Reporting System (SABRS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Kansas City Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Erna Pinkham

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: General Ledger Control and Financial Reporting, Property Inventory, Cost Accounting, Accrual Accounting, Fund Control and Internal Control, User Information Needs, Systems Documentation, Systems Operations, Budgetary Accounting. These departures can result in errors and out-of-balance conditions (subsequently reflected on trial balance and financial management reports).

SOURCE(S) OF DISCOVERY OF (DEPARTURE(S)): System Manager/User Reviews, Audits, and Management Control Reviews

CORRECTIVE ACTION(S) FOR DEPARTURE(S): Make considerable software modification to SABRS to correct deficiencies. Replace various nonstandard U.S. Marine Corps systems with SABRS.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: SABRS supports accounting, budgeting and reporting of the Operations and Maintenance appropriation, both regular and reserve, for the Marine Corps. SABRS is implemented throughout the Marine Corps network, utilizing existing telecommunications processes. It serves the Marine Corps financial community (fund administrators, comptrollers, etc.) in performance of budgeting and managerial accounting duties. This initiative includes the expansion of the system to support accounting, budgeting and reporting functions for other appropriations and funds supporting the Marine Corps (to include DWCF general ledger and financial reporting responsibilities of DFAS-KC).

SABRS is DFAS-KC's sole interim migratory system for general accounting. As required by the DFAS Director's memorandum on Interim Migratory Accounting Systems for General Funds (dated February 1, 1994, DFAS-KC, in coordination with the Marine Corps) DFAS-KC has developed a plan to migrate to a single accounting system for all Marine Corps appropriations. In order to provide this support in the most cost effective manner and eliminate redundant systems, DFAS-KC has determined what mix of current systems should be integrated into that single system. A functional, technical and economic analysis has been completed, as has the

Plan of Actions and Milestones (POA&M). System enhancements will be accomplished in two phases to create a single Marine Corps accounting system (SABRS), with an estimated completion date of October 1997, for Phase I and October 1998, for Phase II.

SABRS will comply with the Chief Financial Officer's Act (CFO) and all CFO financial statements and reports. In addition, SABRS will support Defense Working Capital Fund (DWCF) interface data and related requirements necessary to fulfill financial reporting requirements.

Five legacy systems will migrate into SABRS in October 1997. These systems are Headquarters Accounting System (HAS) Field; HAS - Departmental, Marine Corps Miscellaneous Allotment Accounting System (MCMAAS), Marine Corps Expenditure and Reimbursement Reporting System (MCERRS), and the Navy Register System (NRS).

In Phase I, SABRS will be modified to include the integration of funds distribution and allotment accounting, DoD Standard General Ledger, internal control structure, produce automated CFO financial statements, interface with entitlement and military pay systems, track public indebtedness, produce quarterly cost accounting reports, Key Accounting Requirement (KAR) Compliance (Departmental Level), and elimination of five legacy systems. Also, included are training/user acceptance, DoD chart of accounts, auditable reporting, and compatibility with current feeder system limitations.

Phase II modifications include validation of plant property and equipment, inventory, and real property, and implementation of the Budget and Accounting Classification Code (BACC). SABRS will be modified and support budget formulation and execution.

Implementation of accomplishments achieved in FY 1997 will begin in October 1997, in addition to completion of work effort on the Budget and Accounting Classification Code (BACC), KARs, and merger of current SABRS with enhanced SABRS. Refinements to documentation, system enhancements and conversion will also continue.

Functions Performed: SABRS is expected to perform accounting, budgeting and reporting for all appropriations authorized within the Marine Corps at Marine Corps Accounting Offices, with on-line link to all Marine Corps Fund Managers.

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY93

Targeted Correction Date in Last Year's Report: 9/97

Current Target Date: 10/97

Reason for Change in Date(s): The SABRS Interim Migratory Plan of Actions and Milestones (POA&M) was revised in January 1996 with an incremental versus phased modular approach.

The POA&M was further revised in December 1996 and established a two phased approach. Phase I included integration of funds distribution and allotment accounting, CFO compliance (capable of auditable reporting within limitations of feeder systems), Key Accounting Requirement (KAR) compliance at the Departmental Level for 10 of 13 KARs and elimination of five legacy systems. Completion of Phase I is scheduled for October 1997. Phase II included remaining work effort on the BACC, merger of current O&M SABRS with Phase I (enhanced SABRS), KARs 2, 6 and 13. Completion of Phase II is scheduled for October 1998.

CRITICAL MILESTONES IN CORRECTIVE ACTION:

<u>Completed actions/events:</u>	<u>Actual Completion Date</u>
EDI Implementation	
Vendor Payment Prevalidation for MOCAS to HAS	
(gross invoice amount > or = \$5M)	07/95
DFAS-KC & field DAOs (all pymt amt)	07/95
Merge into SABRS	
CPRRS System (Functionality for shared edits established)	12/95
Navy Register System	02/96
(Design complete. Total replacement concurrent with MCERRS - 10/97).	
EDI Implementation	06/96
Vendor Payment Prevalidation for:	
MOCAS to HAS (gross invoice amount > or = \$3M)	10/96
SARS (Functionality of SARS transitions to SABRS)	06/96
<u>Planned actions/events (short term):</u>	<u>Planned Completion Date</u>
Implement DoD Standard General Ledger	10/97
Merge into SABRS	
Field - HAS	10/97

Departmental - HAS	10/97
<u>Planned actions/events (long term):</u>	<u>Planned Completion Date</u>
MCMAAS	10/97
MCERRS	10/97
Add Budget/Accounting Classification Code	10/98
Correct KARs	
KAR 1 General Ledger Control and Financial Reporting	10/98
KAR 2 Property and Inventory Accounting	10/98
KAR 3 Accounting for Receivables Including Advances	10/98
KAR 4 Cost Accounting	10/98
KAR 5 Accrual Accounting	10/98
KAR 6 Military and Civilian Payroll Procedures	10/98
KAR 7 System Controls	10/98
KAR 9 Cash Procedures and Accounts Payable	10/98
KAR 13 Budgetary Accounting	10/98
KAR 8 Audit Trails	10/97
KAR 10 Systems Documentation	10/97
KAR 11 Systems Operations	N/A
KAR 12 User Information Needs	10/97

VALIDATION PROCESS TO BE USED: Transaction Testing, Evaluations and Reviews. The following independent reviews will also be conducted as part of the validation process:

- Independent contractor review to validate compliancy with KARs and DFAM activity model.
- Independent contractor review to conduct operational assessment and operational test and evaluation of the system.
- Directorate for Architecture and Development, DFAS-HQ.

RESULTS INDICATORS: Financial statements that fairly present the results of operations and financial position, and reasonable compliance with laws and regulations for those transactions and events that may have a material effect on financial statements.

MAJOR ITEMS OF INTEREST: Effective June 1, 1996, technical programming support for SABRS development/modification effort transitioned to the Kansas City FSA at fee-for-service versus actual cost. The estimated program cost for SABRS has increased to approximately \$16 million as a result of this transition.

KANSAS CITY MIGRATION SYSTEM and COMPLIANCY STRATEGY for MILITARY PAY

FINANCIAL MANAGEMENT FUNCTION: Military Pay, Marine Corps Total Force System (MCTFS)

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Kansas City Center

NAME OF RESPONSIBLE PROGRAM MANAGER: Sue Schallenberg

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS: Payroll Procedures, System Controls, Documentation and Accrual Accounting. These departures can result in errors in financial management reports.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, Audits, and Management Control Reviews.

CORRECTIVE ACTION(S) FOR DEPARTURE(S): The Marine Corps Financial Assistance Program Pay System (MCFAPPS) incorporation into MCTFS during October 1996. Software changes to merge the Bond and Allotment (B&A) system into MCTFS have been deferred due to funding constraints. Make software changes to provide military pay expenditure, deduction, and collection data to the accounting system at the required levels. This will consist of creating a database to store detailed military pay expenditure, deduction, and collection information monthly. We will also create the processes to extract the data from this database at the desired/required levels of detail for entry to the accounting system. In addition, this same data base will be used to create the financial management reports for the military pay fund managers at Headquarters, U.S. Marine Corps. The database will also be available for adhoc retrievals.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: The MCTFS is an integrated pay and personnel system that supports the military pay and personnel management requirements for the Marine Corps active and reserve components. The primary mission of MCTFS is the computation and delivery of net pay to active and reserve Marines assigned throughout the world.

Functions Performed: The MCTFS provides the pay and personnel database for active and reserve Marines, computes net pay due Marines by determining entitlements due and deducting mandatory and voluntary deductions, maintains the leave accounts of Marines, and provides each Marine a monthly statement of earnings, deductions, withholdings and leave data. In addition, the MCTFS performs financial accounting for military pay, reports earning and withholding information to Federal and state tax authorities, and provides military obligation and expenditure data to the Marine Corps budget management personnel.

PACE OF CORRECTED ACTION(S):

Year Identified: FY 1993

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: 10/98

Reason for Change in Date: Change in scope of project. Rather than focusing on an actual interface, we are focusing on making the military pay expenditure, deduction, and collection data available by moving it to an Oracle or similar database. In addition, processes will be created to extract the data from this database at the required levels and moving to the accounting system. The transfer of data from the database to the accounting system can be accomplished either manually or electronically. This approach also makes the data available for adhoc retrievals by accounting, finance, or Marine Corps fund manager personnel. This approach is not only more economical, but enables completion of the requirements at a faster pace.

CRITICAL MILESTONES IN CORRECTIVE ACTION(S):

<u>Completed actions&events:</u>	<u>Actual Completion Date</u>
Merge MCFAPPS into MCTFS	10/96
<u>Planned actions&events (long-term):</u>	<u>Planned Completion Date</u>
Merge B&A System into MCTFS	TBD
Complete interface between MCTFS and SABRS to satisfy accrual accounting requirements	10/98

VALIDATION PROCESS TO BE USED: Transactions testing, scenario testing, evaluations/reviews and user satisfaction.

RESULTS INDICATORS: Interface with the accounting system will result in more accurate data relative to Marine Corps active and reserve component military pay expenditures, deductions, and collections being recorded in the accounting system. Data will be recorded more timely. Payment of amounts deducted or collected from military earnings will be made more timely and accurately. Data provided to Marine Corps military pay fund managers will be more timely and accurate.

KANSAS CITY MIGRATION SYSTEM and COMPLIANCY STRATEGY for TRANSPORTATION PAYMENTS

FINANCIAL MANAGEMENT FUNCTION: Transportation Payments

RESPONSIBLE ORGANIZATION: Defense Finance and Accounting Service - Kansas City, Center

NAME OF RESPONSIBLE PROGRAM MANAGER:

Jamie Christie, 816 926-1304

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS:

The KAR 7 - System Controls and KAR 11 - System Operations departures can result in errors and out-of-balance conditions that are subsequently reflected on trial balance and financial management reports.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, Audits, and Management Control Reviews.

CORRECTIVE ACTION(S) FOR DEPARTURE(S): Under Strategic Plan 9-1 of April 14, 1991, DFAS-IN plans did not consolidate all payments currently processed through the DFAS-KC Center into the Defense Transportation System (DTRS). As of September 1997, consolidation to DFAS-IN was placed on hold. Corrective action will be consolidating these payments at DFAS-KC until such time as DTRS can accept the work.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Certification of transportation payments for the Marine Corps.

Functions Performed: TMS generates payments as a "feeder" system that is owned jointly by DFAS and the Marine Corps. Programming support is provided by Marine Corps personnel at the Marine Corps Logistics Base, Albany, GA. The system generates payments for Marine Corps transportation, and interfaces with MCERRS, which in turn feeds into SABRS.

PACE OF CORRECTIVE ACTION(S):

Year Identified: FY 94

Targeted Correction Date(s) in Last Year's Report: N/A

Current Target Date(s): FY 98

Reason for Change in Date(s): Current initiatives changed and implementation target dates were changed by DFAS-HQ and PMO.

CRITICAL MILESTONES IN CORRECTION ACTION(S):

<u>Planned actions&events (short-term):</u>	<u>Planned Completion Date</u>
Implement SCR to interface TMS with SRD-1.	10/99
Disburse transportation payments via SRD-1.	10/99

Planned actions/events (long term):

Consolidation of Government Bills of Lading (GBLs), Government Request (GTRs), freight loss/damage claims and the DTRS, DFAS-IN.	TBD Transportation Meal Tickets into
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VALIDATION PROCESS TO BE USED: Management review of the transfer of processes to new supporting systems. Customer feedback.

RESULTS INDICATORS: The data is processed successfully using systems currently resident at DFAS-KC or DFAS-IN.

KANSAS CITY MIGRATION SYSTEM and COMPLIANCY STRATEGY for VENDOR PAY

FINANCIAL MANAGEMENT FUNCTION: Vendor Pay

RESPONSIBLE ORGANIZATION: Jamie Christie - DFAS-KC/FSE

NAME OF RESPONSIBLE PROGRAM MANAGER: Jamie Christie - DFAS-KC/FSE

DESCRIPTION OF DEPARTURE(S) AND IMPACT ON AGENCY OPERATIONS :

Entitlement systems supporting Marine Corps vendor payments are compliant with DFAS Key Accounting Requirements (KAR). Marine Corps vendor payments are processed at DFAS-KC and entered into the Computerized Accounts Payable System (CAPS). Payments are processed through STANFINS Redesign Subsystem 1 (SRD-1). Both CAPS and SRD-1 are managed by DFAS-HQ as interim migratory systems. CAPS will continue to be used until implementation of the Defense Procurement Payment System (DPPS) and SRD-1 will continue to be used until completion of the Defense Standard Disbursing System (DSDS) project. Prior to consolidation of Marine Corps Defense Accounting Offices (DAO's) at Albany, GA; Camp Lejeune, NC; and Cherry Point, NC, these sites used the Kodak Automated Retrieval System (KARS) to process vendor payments. In March, 1997, when the final DAO at Albany was consolidated to the Kansas City Center, use of KARS was discontinued.

SOURCE(S) OF DISCOVERY OF DEPARTURE(S): System Manager/User Reviews, Audits, and Management Control Reviews.

CORRECTIVE ACTION(S) FOR DEPARTURE(S): Work previously accomplished at DAO's using KARS is being processed successfully using CAPS. All files retained in the KARS databases were dumped to hard copy and are being retained for research by DFAS-KC vendor pay personnel. DFAS-KC continues to work with the Project Management Offices for CAPS and SRD-1 to ensure the systems are KAR compliant in relation to Marine Corps accounting requirements. Center personnel are active participants on DPPS work groups.

SCOPE OF CORRECTIVE ACTION(S):

Mission Supported: Vendor pay for the Marine Corps.

Functions Performed: Processing of vendor data, production of a check or EFT payments, and interface of accounting data to the Marine Corps Expenditure Reimbursement Reporting System (MCERRS).

PACE OF CORRECTIVE ACTION(S):

Year Identified: 1996

Targeted Correction Date(s) in Last Year's Report: 1997

Current Target Date(s): 2003

Reason for Change in Date(s): Initial departure only identified the use of KARS to process Marine Corps vendor payments. The scope of the departure has been expanded to include the entire vendor pay process and future plans to migrate to DPPS.

CRITICAL MILESTONES IN CORRECTION ACTION(S)

<u>Completed actions&events:</u>	<u>Actual Completion Date</u>
Cherry Point DAO consolidated to DFAS-KC, KARS database dumped to hard copy	10/95
Camp Lejeune DAO consolidated to DFAS-KC, KARS database dumped to hard copy	2/96
Albany DAO consolidated to DFAS-KC, KARS database dumped to hard copy	2/97
All Marine Corps vendor payments processed through CAPS	3/97
<u>Planned actions&events (short-term):</u>	<u>Planned Completion Date</u>
Conversion from CAPS 2.6 to CAPS Windows 1.1	11/97
Process Marine Corps IMPAC payments in CAPS (vice direct entry into MCERRS)	1/98
Identify systems change requests (SCR's) to improve CAPS compliance with DFAS Key Accounting Requirements	Ongoing
<u>Planned actions&events (long-term):</u>	<u>Planned Completion Date</u>
Implement CAPS version 3.0 which contains changes to support Marine Corps accounting structure	12/99
Implement DPPS	12/01
Continue to work with DPPS project management office to develop and implement DPPS in support of Marine Corps vendor payments.	Ongoing

VALIDATION PROCESS TO BE USED: Transactions testing, scenario testing, evaluations, reviews, and surveying user satisfaction.

RESULTS INDICATORS: Accurate and timely vendor payments. Improved management of the vendor payments budget for the Marine Corps.

MAJOR ITEMS OF INTEREST: During 1997, DFAS-HQ conducted a study of the various DFAS vendor pay entitlement systems with a goal of reducing the number of operating systems during the period until DPPS implementation. No decision to eliminate CAPS resulted from the study.

INVENTORY OF FINANCIAL MANAGEMENT SYSTEMS

SECTION D

FY 97 SYSTEMS INVENTORY

FMFIA System Name (Acronym)
Number

Defense Wide Working Capital Funds (Accounting)

1 N008	Material Financial Control System (MFCS)
2 N009	Uniform Automated Data Processing System Stock Points E & F (UADPS SP-E&F)
3 N013	Uniform Automated Data Processing System Level II Stock Fund (UADPS Level II SF)
4 N015	Medical Inventory Control System (MICS)
5 N018	Shipyards Management Information System (SYMIS)
6 N019	Defense Industrial Financial Management System (DIFMS)
7 N020	Naval Ordnance Management Information System (NOMIS)
8 N021	Public Works Center Management Information System (PWCMS)
9 N022	Industrial Fund Accounting System (IFAS)
10 N023	Printing Resources Management Information System (PRMIS)
11 N024	Military Sealift Command (MSC) Financial Management Information System (FMIS)
12 N027	NSWC Dahlgren, Financial Management System (NSWC/DD FMS)
13 N029	Naval Research Laboratory DBOF Financial System, Washington (NRL-NIF)
14 N031	Navy Industrial Fund Financial Management Accounting System (NIFMAS)
15 N032	NSWC Carderock Division Financial System (NSWC/CD FS)
16 N035	NSWC Port Hueneme Division Real-Time Integrated Management System (RIMS)
17 N038	Automated Financial Management Information System (AFMIS) NCSS Panama City
18 N059	NAVSUP Uniform Automated Data Processing System Inventory Control Points G03/G06 (UADPS-G03/G06)
19 D001	Defense Business Management System (DBMS)
20 D003	Base Operations Support System (BOSS)
21 D004	Defense Fuel Automated Management System (DFAMS)
22 D005	Defense Integrated Subsistence Management System (DISMS)
23 D009	Standard Automated Material Management System (SAMMS)
24 A028	Military Traffic Management Command Financial Management System (MTMC-FMS)
25 F085	Air Force Industrial Funds General Ledger System (DMIF-IFGL)
26 F092	Uniform Cost Accounting Depot Maintenance Budget Management Cost System (DMIF-BUDCOST)
27 F093	Maintenance Labor Distribution & Cost System (DMIF-LABOR)
28 F094	Workload Planning & Control System (DMIF-I/O)
29 F096	Depot Maintenance Production Cost System (DMIF-PRODCOST)
30 F097	Maintenance Actual Material Cost System (DMIF-ACTCOST)
31 F098	Job Order Production Master System (DMIF-JOBORD)
32 F099	Project Order Control System (DMIF-PROJORDR)
33 F100	Contractual Depot Maintenance Production Cost System (DMIF-DEPOTPROD)
34 F102	Depot Plant Equipment Program System (DMEP)
35 F103	Government Furnished Material Transactions Reporting System (DMIF-GFM)
36 F104	Accounting System for Industrial Fund Procurement of GFM (DMIF-IFPGFM)
37 F109	Aerospace Maintenance & Regeneration Center (AMRC) - Asset Control System (DMIF-ASSET)
38 F110	Aerospace Maintenance & Regeneration Center - Cost & Billing System (AMRC-CBS)
39 F112	Air Force Standard Base Supply System (SBSS)
40 F120	Standard Material Accounting System (SMAS)
41 F127	Missile Fuels Management System (MFMS)
42 FR02	Airlift Services Industrial Fund Integrated Computer System (ASIFICS)
43 FR12	Avfuel Management & Accounting System (AMAS)
44 FR19	Financial Inventory Accounting & Billing System (FIABS)
45 S004	DECCO Accounting Information System (DAIS)
46 A001	Commodity Command Standard System (CCSS)
47 A003	Standard Industrial Fund System (SIFS)
48 A006	Retail Army Stock Fund Inventory Accounting and Reporting System (RASFIARS)
49 A010	Watervliet Arsenal Industrial Fund System (WVA/DBOF)
50 A023	Standard Army Financial Inventory Accounting & Reporting System (STARFIARS)
51 A047	Tactical Unit Financial Management Information System (TUFMIS)
52 A048	Standard Army Financial Inventory Accounting & Reporting System Modernization (STARFIARS-M)
53 NR26	Marine Corps Unified Material Management System (MUMMS)

General Funds (Accounting)

1 N043	Standard Accounting & Reporting System (STARS)
2 N052	Facilities Information System 2.0 (FIS)
3 N061	Fleet Resources Accounting Module (FRAM)
4 N072	PCS Reservation Obligations Database System (PRODS)
5 N078	Navy Facilities Assets Data Base (NFADB) System
6 N124	Plant Property System (DAO Pearl Harbor) (DAO-PH/PP)
7 N125	Plant Account System (DAO Great Lakes) (DAO-GL/PP)
8 N130	Plant Property System (DAO Norfolk) (DAO-NORF/PP)
9 N141	Naval Security Group Resource Management System (NAVSECGRU RMS)
10 NR25	Reserve Financial Management/Active Duty for Training System (RESFMS)
11 F031	General Accounting & Finance System-Base Level (GAFS)

FY 97 SYSTEMS INVENTORY

12	F037	Central Procurement Accounting System (CPAS)
13	F051	Job Order Cost Accounting System II (JOCAS)
14	FR18	Work Information Management System (WIMS)
15	A002	Test, Evaluation, Analysis & Management Uniformity Plan (TEAM-UP)
16	A004	Standard Army Procurement Appropriation System (SAPAS)
17	A005	Standard Operations & Maintenance, Army R&D System (SOMARDS)
18	A024	Corps of Engineers Management Information System, Finance & Accounting (COEMIS-FA)
19	A040	Standard Finance System (STANFINS)
20	A042	Corps of Engineers Financial Management System (CEFMS)
21	AR28	State Accounting & Budget Expenditure Reservation System (SABERS)
22	N079	Headquarters Accounting System (HAS)
23	NR05	Marine Corps Miscellaneous Allotment Accounting System (MCMAAS)
24	NR12	Standard Accounting Budgeting & Reporting Systems (SABRS)
25	D010	Defense Property Accountability System (DPAS)
26	S001	Washington Headquarters Service (WHS) Allotment Accounting System (WAAS)
27	S005	Resource Accounting Management System (RAMS)
28	S006	Centralized Accounting & Finance Resource Management System (CAFRMS)
29	S011	Appropriations Control Reporting System (ACRS)
30	S013	College & University Financial System (CUFS)
31	SR01	National Security Agency General Accounting & Reporting System (NSAGARS)

Foreign Military Sales (Accounting)

1	A014	Security Assistance Automated Management Support System (SAAMSS)
2	ARA3	Centralized Integrated System for International Logistics (CISIL)
3	F129	Defense Integrated Financial System For Foreign Military Sales (DIFS)
4	F130	Case Management Control System--Accounting System (CMCS)
5	F131	Security Assistance Management Information System (SAMIS)
6	FR15	Special Defense Acquisition Fund Accounting System (SDAF)
7	N041	Management Information System International Logistics (MISIL)
8	N046	Student Training Analysis & Tracking Information System (STATIS)
9	S016	Washington Headquarters Service (WHS) Allotment Accounting System (Modified) (WAAS-MOD)

Departmental Reporting (Accounting)

1	N001	Navy Headquarters Financial Systems (NHFS)
2	N007	Defense Business Operations Fund Central Database Accounting System (CBD)
3	F003	General Funds General Ledger System (GFGL)
4	F016	Command On-Line Accounting & Reporting System (COARS)
5	F084	Industrial Fund General Ledger System-Departmental (IFGL)
6	FR11	Status of Funds System (SOF)
7	FR13	Air Force Stock Funds Accounting & Reporting (AFSFA)
8	A026	Headquarters Accounting & Reporting System (HQARS)
9	AR95	Program Budget Accounting System - Program, Funds & Order Distribution (PBAS-FD)

Cash Accountability (Accounting)

1	N002	Centralized Expenditures & Reimbursement Processing System (CERPS)
2	N003	Cash Reconciliation System (CRS)
3	N076	Financial Reporting System-Accounting (FRS-ACCTG)
4	N121	Navy Interest Payment System (NIPS)
5	NR29	Transactions By Others (TBO)
6	NR30	Interdepartmental Fund Billing Group System (IFBGS)
7	F002	Merged Accountability & Fund Reporting System (MAFR)
8	NR09	Marine Corps Expenditure Reimbursement Reporting System & Navy Register System (MCERRS/NRS)

Nonappropriated Funds (Accounting)

1	N047	Naval Academy Midshipmen Store & Diary Farm (NAMSDF)
2	N138	Navy Central Fund Accounting System (NCFAS)
3	NR59	Navy Base Level Accounting System (BLAS)
4	NR60	Navy Recreation & Mess Central Accounting System (RAMCAS)
5	FR17	Air Force Nonappropriated Fund Standard Accounting Management System (NAFSAMS)
6	FR20	Air Force Nonappropriated Funds Management Information System (Payroll) (NAFMIS)
7	AR33	Army Microcomputer Assisted Central Accounting Division System (MICROCADS)
8	ARA2	Nonappropriated Fund Civilian Pay System (NAFCPS)
9	ARA4	Army Nonappropriated Fund Information Standard System (NAFISS)
10	ARA6	Army Central Fund Accounting System (CFAS)

Trust Funds (Accounting)

1	N140	Ship Stores (SS)
2	S002	Trust Funds Accounting System (TFAS)

FY 97 SYSTEMS INVENTORY

Debt Management (Finance)

- 1 F006 Defense Debt Management System (DDMS)

Civilian Pay (Finance)

- 1 FR16 Defense Civilian Pay System (DCPS)
- 2 N095 Military Sealift Command Civilian Mariner Pay (CIVPAY-MS)
- 3 A036 Standard Army Civilian Pay System (STARCIPS)

Military Pay (Finance)

- 1 M001 Defense Retired Annuitants Pay System (DRAS)
- 2 N107 Navy Joint Uniform Military Pay System (MILPAY)
- 3 N109 Reserve Pay System - Drill & Active Duty For Training (ACDUTRA)
- 4 N118 Savings Deposit Program System (SDPS)
- 5 N119 Voluntary Separation Incentive/Special Separation Benefit (VSI/SSB)
- 6 N120 Adoption Reimbursement System (ARS)
- 7 NR27 Uniform Microcomputer Disbursing System (UMIDS)
- 8 NR41 Allotment Systems (ALLOT)
- 9 F004 Defense Joint Military Pay System - Active Component (DJMS-AC)
- 10 F076 Defense Joint Military Pay System - Reserve Component (DJMS-RC)
- 11 M003 Marine Corps Total Forces System (MCTFS)
- 12 NR07 Bond & Allotment System (B&A)

Contract & Vendor Pay (Finance)

- 1 N122 Government Transportation Payment System (GTS)
- 2 D002 Automated Voucher Examination Disbursing System (AVEDS)
- 3 D008 Mechanization of Contract Administration Services (MOCAS)
- 4 F121 Integrated Accounts Payable System (IAPS) Commissary Services
- 5 AR41 Automated Financial Entitlements System (AFES)
- 6 AR92 Computerized Accounts Payable System (CAPS)

Transportation Payment (Finance)

- 1 N042 NAVMTO Automated Transportation Data System (NATDS)
- 2 M002 Defense Transportation Pay System (DTRS)
- 3 N117 Marine Corps Transportation Management System (TMS)

Travel Payment (Finance)

- 1 A043 Daily Orders, Ledger, Finance System (DOLFINS)
- 2 AR91 Integrated Automated Travel System (IATS)
- 3 NR58 Consolidated Travel Management Information System (CONTRAMIS)

Disbursing (Finance)

- 1 N139 Automated Disbursing System (ADS)
- 2 F033 Integrated Paying & Collecting System (IPC)
- 3 A041 Standard Finance System - Redesign I (SRD-I)
- 4 A044 Standard Negotiable Instrument Processing System (SNIPS)
- 5 A045 Consolidated Return Items Stop Payment System (CRISPS)
- 6 AR93 Disbursing Officer's Processing System (DOPS)

TOTAL FY 97 SYSTEMS INVENTORY - 156 - ACCOUNTING SYSTEMS 122, FINANCE SYSTEMS 34